

INVESTMENT
share

Algeria	250.00	Indonesia	250.00	Philippines	250.00
Argentina	250.00	Iran	250.00	Poland	250.00
Australia	250.00	Israel	250.00	Portugal	250.00
Belgium	250.00	Italy	250.00	Romania	250.00
Brazil	250.00	Japan	250.00	Saudi Arabia	250.00
Canada	250.00	South Korea	250.00	Singapore	250.00
Chad	250.00	Taiwan	250.00	Spain	250.00
China	250.00	Thailand	250.00	Sweden	250.00
Czech Republic	250.00	Turkey	250.00	Switzerland	250.00
Denmark	250.00	Ukraine	250.00	Taiwan	250.00
Egypt	250.00	USA	250.00	Thailand	250.00
France	250.00	UK	250.00	USA	250.00
Germany	250.00	USSR	250.00	USSR	250.00
Greece	250.00	Yemen	250.00	Yemen	250.00
Hong Kong	250.00	Yugoslavia	250.00	Yugoslavia	250.00
India	250.00				

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

SPAIN
Counting cost of
joining the club
Page 18
D 8523A

FT No. 31,178
© THE FINANCIAL TIMES LIMITED 1990

Wednesday June 20 1990

World News Business Summary

Canada looks for way out of Meech Lake impasse

Canadian cabinet ministers and constitutional experts were searching for a way to rescue the controversial Meech Lake accord from the snags it has hit in the province of Manitoba.

Prime Minister Brian Mulroney is rapidly running out of time and options to secure passage of the constitutional reforms. Page 4

Hijacker gives up

A hijacker who forced an internal Soviet flight to divert to Helsinki later gave himself up. All 60 people on board were safe after the hijacker abandoned an earlier demand that the aircraft fly on to Israel via Sweden. Page 3

Dutch IRA warning

Dutch police said they believed many more Irish Republican Army terrorists could still be at large on the European mainland despite the capture of four suspects in the Netherlands and Belgium over the last few days. Page 9

Bucharest boycott

The US will boycott today's inauguration of Romanian President Ion Iliescu in what diplomats said was a strong protest against his use of miners in a violent crackdown on dissent last week. Page 20

Apartheid relaxed

South Africa repealed the Separate Amenities Act, an apartheid law used since 1953 to segregate public facilities ranging from restaurants to libraries to buses. Communism finds a home. Page 20

Five end controls

France, West Germany, Belgium, the Netherlands and Luxembourg signed a treaty eliminating border controls for travellers, a forerunner of the frontier-free European Community. Page 20

Pledge on porpoises

Japan has been tightening its restrictions on fishermen who hunt porpoises since the annual porpoise kill tripped in 1988, a Tokyo Foreign Ministry spokesman said. Page 23

Switch-off request

Cuba asked President George Bush to halt a 12-week-old US television broadcast to the island, saying it was a chance for Washington to be sensible. Page 23

Mass grave found

Soviet authorities believe they have found a third mass grave near Kalinin, north of Moscow, containing remains of some of the 15,000 Polish officers murdered by Stalin's secret police. Page 23

Alcatel Bell moves into USSR with \$2.8bn sale

The Soviet Union is to buy an estimated \$2.8bn (£2.6bn) worth of digital telephone lines over the next 20 years from a joint venture with Alcatel Bell, the Belgian subsidiary of Europe's largest telecommunications equipment supplier.

This is the first big western breakthrough into the Soviet telecommunications market since western allies agreed earlier this month on a sweeping liberalisation of technology sales to the east, and the first Soviet-based joint venture in digital switching equipment. Page 3

MERCEDES-BENZ

automotive subsidiary of West German Daimler-Benz group, plans to increase its car output by 4.2 per cent, to 565,000 this year. Car production last year by 3.1 per cent. Page 21

TIME WARNER

entertainment giant, may withdraw its \$600m planned loan to back MGM/UA by Pathé Communications. Page 23

URUGUAY ROUND

of trade talks produced agreement on a significant simplification of world trading system. Page 4

MOTOROLA

shipments of its flagship microprocessor product were halted by US court after a patent dispute between Motorola and Hitachi of Japan. Page 4

NEW ZEALAND

trade restrictions imposed by the US in 1985 in retaliation for NZ's anti-nuclear policies, will be eased. Page 4

YUGOSLAVIA

's economic stabilisation programme will face major test next month, according to the Organisation for Economic Co-operation and Development. Page 2

BRITISH STEEL

made its first manufacturing venture outside UK, with \$17.5m purchase of Klockner-Werke's sectional steel division at Troisdorf, West Germany. Page 21

INDIA

prefers foreign equity investment to borrowing abroad to avoid adding to the foreign debt, says Prime Minister V. P. Singh. Page 6



Mikhail Gorbachev shakes hands with Boris Yeltsin yesterday at the Russian Communist Party congress

Gorbachev warns Russia on destructive nationalism

By Layla Boulton in Moscow

PRESIDENT Mikhail Gorbachev, the Soviet leader, yesterday launched an impassioned plea for national unity with a warning to Russian Communists not to challenge the supremacy of the Soviet Communist Party.

Russian nationalism could destroy the country, he told the founding congress of a new Russian Communist Party, and said that the Communist Party of the Soviet Union, which has ruled the country since 1917, should retain ultimate authority over other Communist parties.

"The fundamental issue is how we integrate the organisation of the Russian Communist Party with the need to ensure consolidation within the CPSU as a whole," he told 2,744 delegates from the Russian Federation, the largest republic.

"How are we to reconcile the ever-strengthening isolationist mood in Russia with our historical obligation to conserve the integrity of the USSR as a great world power? We have to make a historic choice on which the fate of Russia, the Party, the entire country and the world depend."

Mr Gorbachev, who is general secretary of the CPSU, had given the party the green light a week ago, under pressure from conservatives who want to use it as a power base and from Russian nationalists who complained that the 14 other republics were allowed to have one. Soviet leaders since Lenin had resisted the idea, saying it would give Russians too much power within the country.

But Mr Gorbachev, having

decided to try to swim with the tide, said the new party was "expedient and necessary."

Mr Gorbachev also attacked both radicals and conservative Communists, who are currently fighting for the soul of the CPSU ahead of its congress next month.

He described radical demands for a parliamentary Russian party as leading to "the destruction of the CPSU from within and its removal from the political stage."

He also condemned conservatives as having "their own outdated ideas of a socialism which has lost any real link with reality."

Mr Gorbachev came under sharp attack from some delegates at yesterday's meeting. Mr Ivan Osadchiy, a party conservative, said: "Instead of

strengthening all links of the party, determining its strategy and tactics, the CPSU leadership has reduced it to crouching in the trenches under massive shelling by anti-socialist forces."

Saying that there was no question of returning to the country's Stalinist past, the Soviet President defended his efforts to switch the Soviet Union towards a market economy and the achievement of a human society.

Acknowledging that Russian interests had suffered in the past, he warned unnamed leaders against exploiting Russian national feelings and economic difficulties.

Lithuania puts Moscow offer on agenda, Page 3; Communism finds homeland in South Africa, Page 20

pend the application of an Act of Parliament on the grounds of its alleged, but unproven, incompatibility with Community law, but referred to Luxembourg the question of whether Community law conferred on a national court the power or obligation to grant interim relief in such circumstances.

The European Court said yesterday: "Community law must be interpreted as meaning that a national court which, in a case before it concerning Community law, considers that the sole obstacle which precludes it from granting interim relief is a rule of Community law, must suspend the application of that rule of law, pending the decision of the European Court."

On appeal, the Law Lords - Britain's highest court - ruled that under English law the courts had no power to suspend the application of an Act of Parliament on the grounds of its alleged, but unproven, incompatibility with Community law, but referred to Luxembourg the question of whether Community law conferred on a national court the power or obligation to grant interim relief in such circumstances.

The European Court said yesterday: "Community law must be interpreted as meaning that a national court which, in a case before it concerning Community law, considers that the sole obstacle which precludes it from granting interim relief is a rule of Community law, must suspend the application of that rule of law, pending the decision of the European Court."

On appeal, the Law Lords - Britain's highest court - ruled that under English law the courts had no power to suspend the application of an Act of Parliament on the grounds of its alleged, but unproven, incompatibility with Community law, but referred to Luxembourg the question of whether Community law conferred on a national court the power or obligation to grant interim relief in such circumstances.

Court allows suspension of UK law

By Tim Dickson in Luxembourg and Robert Rice in London

A DECISION with far-reaching constitutional implications for Britain was handed down by the European Court of Justice yesterday when it ruled that a UK court can suspend an Act of Parliament on the grounds of its alleged incompatibility with EC law.

The historic ruling - on a challenge by Spanish fishermen to the legality of the UK's 1988 Merchant Shipping Act - makes it clear that any Act of Parliament passed since Britain joined the EC in 1973 must be read as subject to directly enforceable rights under Community law.

Its immediate effect will be to revive, and almost certainly

complicate, the row over "quota hopping" whereby the UK's fishing quotas have allegedly been plundered by Spanish-owned fishing vessels flying the British flag.

But the judgment also provides British courts with a new power of injunction - not available under English law - to suspend the application of new legislation pending the outcome of any challenge in the European Court.

Yesterday's decision arose out of a claim by a group of mainly Spanish-owned UK deep sea fishing companies that amendments to the legislation governing registration of British fishing vessels in the

1988 Merchant Shipping Act were illegal under EC law.

The Act, which was designed to outlaw quota hopping, set up a new register for British fishing vessels and introduced new conditions relating to the residence, domicile and nationality of owners. The effect was to ban 35 Spanish fishing boats which had been fishing in British waters.

Interim relief, suspending the relevant parts of the Act, was initially granted to the fishing companies by the High Court.

On appeal, the Law Lords - Britain's highest court - ruled that under English law the courts had no power to suspend the application of an Act of Parliament on the grounds of its alleged, but unproven, incompatibility with Community law, but referred to Luxembourg the question of whether Community law conferred on a national court the power or obligation to grant interim relief in such circumstances.

The European Court said yesterday: "Community law must be interpreted as meaning that a national court which, in a case before it concerning Community law, considers that the sole obstacle which precludes it from granting interim relief is a rule of Community law, must suspend the application of that rule of law, pending the decision of the European Court."

On appeal, the Law Lords - Britain's highest court - ruled that under English law the courts had no power to suspend the application of an Act of Parliament on the grounds of its alleged, but unproven, incompatibility with Community law, but referred to Luxembourg the question of whether Community law conferred on a national court the power or obligation to grant interim relief in such circumstances.

pend the application of an Act of Parliament on the grounds of its alleged, but unproven, incompatibility with Community law, but referred to Luxembourg the question of whether Community law conferred on a national court the power or obligation to grant interim relief in such circumstances.

The European Court said yesterday: "Community law must be interpreted as meaning that a national court which, in a case before it concerning Community law, considers that the sole obstacle which precludes it from granting interim relief is a rule of Community law, must suspend the application of that rule of law, pending the decision of the European Court."

On appeal, the Law Lords - Britain's highest court - ruled that under English law the courts had no power to suspend the application of an Act of Parliament on the grounds of its alleged, but unproven, incompatibility with Community law, but referred to Luxembourg the question of whether Community law conferred on a national court the power or obligation to grant interim relief in such circumstances.

Italian unions call July strike after fruitless wage discussions

By John Wyles in Rome

ITALY'S three union confederations will tomorrow call a general strike for July in their first trial of strength with private sector employers in more than five years.

The call, for both public and private sector workers to stop work between July 10 and July 15, followed fruitless discussions on employers' demands for wage moderation.

In turn, Confindustria, the manufacturers association which represents Italian private industry, will formally withdraw from the *scala mobile* wage indexation system in the next few days.

The outcome of yesterday's meeting was almost a foregone conclusion given the evident gap between the positions of the two sides.

Confindustria had already called a halt to peace-setting pay talks covering 1.5m engineering workers, insisting that there must first be a remodelling of the Italian pay bargaining system, while the unions had dug in on their demand that sectoral agreements in engineering, chemicals, textiles

and elsewhere, must first be concluded before broader issues could be discussed.

An offer by Mr Sergio Pininfarina, Confindustria president, to include the sectoral unions in talks on a new pay system was rejected by the leaders of the three confederations, the CGIL, CISL and UIL.

Franco Martini, secretary of CISL, said later they had no objection to discussing pay reform and the *scala mobile*, but first "we have to agree the wage contracts."

Because some of these will run until 1994, Mr Pininfarina argued that private industry could not risk worsening an already deteriorating competitive situation during the opening of the European Community's internal market.

The industrialists have bombarded the newspapers in recent days with statistics about their declining competitiveness.

They have called as evidence statements by Mr Carlo Azeglio Ciampi, the Governor of Italy's central bank, that union demands for wage rises of 40

per cent or more over three years were inflationary and damaging to industry's position.

In a speech yesterday afternoon, Mr Pininfarina asserted that the Community's move towards a system of fixed exchange rates "no longer allows us to count on changes in the lira to recover lost competitiveness."

Confindustria's tough stand and withdrawal from the *scala mobile* accord, which will not become effective until the end of the year, is partly a tactical move to put pressure on the Government to support the passage of Communist Party-sponsored legislation which would legally bind Confindustria into the *scala mobile* until the end of 1991.

EC reaches accord on plan for sales of Japanese cars

By David Buchanan in Luxembourg

THE MAIN protagonists in the EC debate about future internal trade about future treatment of Japanese car sales in Europe appeared yesterday to have reached a joint position to put to Tokyo.

As a result the European Commission, which is due to continue talks with Japan next month, hopes a "basic arrangement" can be reached with Tokyo by the end of the month.

The 12 EC trade ministers, meeting in Luxembourg, expressed broad agreement that the Japanese would be left essentially free to make as many cars they want inside the EC but that the greater their local production in the Community, the less they would ship directly from Japan for a transition period after 1993.

The issue of "transplanted" Japanese production in Europe has been highly sensitive for Britain, which has considerable Japanese car investment, and for France and Italy, which have tight national curbs on Japanese imports that are due to disappear with the approach of the single market.

The ministers issued no formal statement after their restricted discussion on cars. Indeed, the agreed essence of the forthcoming negotiations with Tokyo is that they should remain informal, with the Commission operating without any formal mandate, because such trade restraints are questionable under Gatt rules.

However, Mr Nicholas Ridley, the British Trade and Industry Secretary, was said to be content with the formula that "the more the investment

of Japanese carmakers in the EC develops, the less need there will be for exports direct from Japan," a UK official said.

Trade ministers of the big four car producer countries - France and Italy, on the protectionist side, and Britain and West Germany, protagonists of freer trade in this sector - have met secretly recently and yesterday sought to sell their compromise to the other eight EC states.

Only Greece objected, arguing for a 10-year transition period with totally-free Japanese sales only in 2002. However, Commission officials claimed a general consensus among the other 11 for a five-year transition period.

Crucial to this compromise has been Mr Renato Ruggiero, Trade Minister of Italy, which takes over the EC presidency next month. He indicated yesterday an emerging consensus on three other points, apart from taking into account, but not restricting, transplant output.

● Overall Japanese sales to the EC and to the five countries with current curbs would be monitored. Thus, Bonn has won its point that access to the West German market should stay unrestricted.

● A system would have to be developed to prevent, in the transition period, Japanese cars leaving from "free" markets such as West Germany, to specifically monitored markets such as France or Italy.

● Mr Ruggiero claimed there would have to be some parallel discussions with Japan about its domestic car market.

Growth fuels fear of inflation in Tokyo

By Stefan Wagstyl in Tokyo

THE Japanese economy showed annual growth of 10.4 per cent in the first quarter of this year, considerably faster than expected, according to figures announced yesterday.

The report from the government's Economic Planning Agency will raise hopes that the current surge in Japanese growth, which is now in its fourth year, will persist. However, it will also prompt new fears that continuing labour shortages may fuel inflation.

The danger of a resurgence in inflation was highlighted by figures published separately by

the Bank of Japan, which showed money supply grew by 13.2 per cent last month, compared with a year ago, an increase well in excess of the central bank's informal target.

The main feature of the strong economic growth in the first quarter was a surge in external demand, which reflected a sharp increase in exports. External demand accounted for 1.3 percentage points of the 2.5 per cent increase in growth over the

Continued on Page 20
Trade surplus advocates condemned, Page 6

WE WON'T ASK YOU TO FLOAT BEFORE YOU CAN SWIM.

Some venture capital companies can't afford to make long term investments as they don't have the same depth of financial resources as Gresham Trust.

To make sure of a short term gain they may push you towards flotation before your company is really ready for it.

With Gresham Trust there is no jumping in at the deep end. Twenty-five years of experience has taught us that long term investments give a better return in the end.

Both for us and for you.

We're prepared to handle deals between £250,000 and £25 million.

If you'd like more information contact Trevor Jones on 071-606-6474, or if you prefer, speak first to your financial adviser.

Gresham Trust p.l.c.,
Barrington House, Gresham Street, London EC2V 7HE.

Gresham Trust

VENTURE CAPITAL • MANAGEMENT BUY-OUTS
A MEMBER OF THE SECURITIES ASSOCIATION.

CONTENTS

Yemen: Harnessing northern enterprise and southern discipline	5
Toy industry: Family continuity holds key to longevity in one-product company	10
Technology: Shaving of printed labels	12
Editorial Comments: Opening skies in Europe; The pruning of UK defence	18
Takeovers: Europe feeds an appetite for acquisitions	19
Air Transport: Final call for the EC	20
Share trading: Big hitters from Japan's little-league	21
Europe	23
Companies	23
USA	24
Companies	24
International	24
Companies	24
World Trade	24

MARKETS

STERLING New York \$1.722 (1.715) London \$1.7205 (1.7135) DM2.8725 (2.8725) FF9.58 (9.55) Sfr2.4225 (2.4275) Y284.25 (283.25) S index 90.4 (same)	DOLLAR New York DM1.87105 (1.87425) FF9.58105 (9.5815) Sfr1.402 (1.4155) Y153.55 (153.5) London DM1.87 (1.876) FF9.5815 (9.585) Sfr1.408 (1.4155) Y153.55 (153.7) S index 97.3 (97.6) Tokyo close Y153.72 US clearing rates Fed Funds 6.25% (5) 3-mo Treasury Bill yield: 7.963% (7.902) Long Bond 102 1/2 (103 1/2) yield: 8.463% (8.455)	STOCK INDICES FT-SE 100 2,389.7 (-0.8) FT Ordinary 1,807.4 (-4.5) FT-A All-Share 1,168.35 (-0.1%) New York close DJ Ind. Av. 2,893.58 (-11.38) S&P Comp 356.84 (-0.04) Tokyo: Nikkei 32,040.38 (-336.42) LONDON MONEY 3-month interbank closing 143 1/2 (same) Life long gilt future Sep 84 1/2 (84 1/2)
---	---	--

Fujimori's hope may lie in disaster bridging the divide

President-elect Alberto Fujimori inherits a multitude of problems when he takes office in July. Peru is one of the poorest countries in the world with hyper-inflation and a well-rooted Maoist guerrilla insurgency.

Page 4

Observer	18
FT Law Reports	31-42
Stock Markets	31-42
London	31-42
Technology	12
Letters	15
Unit Trusts	34-37
World Index	42

EUROPEAN NEWS

Major test seen for Yugoslav economic plan

By Anatole Kaletsky

THE MAIN test of Yugoslavia's economic stabilisation programme, which has been widely praised for saving the country from hyperinflation, will begin only next month, according to the Organisation for Economic Co-operation and Development.

The prospects for success remain uncertain, since bold macroeconomic measures imposed by the Government of Mr Ante Markovic last December have not been matched by structural reforms at the local government, enterprise and financial market levels.

In its survey of the Yugoslav economy published today, the OECD praises the Markovic measures, which have been

strongly backed by the IMF and the World Bank, for cutting inflation from an annual rate of 28,000 per cent at the end of 1989 to less than 4 per cent a month.

While the official stated aim of bringing year-on-year inflation down to only 13 per cent by the end of 1990 may not be feasible for purely arithmetical reasons, the OECD commends the Government's success in altering inflationary behaviour and generating confidence in the new dinar. A key indicator of this success has been the rise in Yugoslavia's foreign exchange reserves, which have increased by \$1bn to \$7.5bn, instead of falling as initially expected.

The OECD warns, however, that "the main test for success or failure will come only after the ending of the current wage freeze and exchange rate guarantee", both of which are due to expire on June 30. The survey suggests that "some form of wage-price surveillance should be maintained" after the end of the wage freeze period, although this should not take the form of full wage controls. The Government must also maintain its restrictive monetary controls.

Sticking to the hard-currency policy which has kept the dinar fixed against the D-Mark since last December would also be highly desirable. Despite success on the infla-

tion and monetary front, however, the prospects for the production, labour markets and the financial system remain problematic, according to the OECD. Industrial output in the first quarter was 7 per cent below its year earlier level, while retail sales volumes slumped by 27 per cent. Unemployment had already risen to 11 per cent by the end of 1989 and is expected to rise much higher. GNP is expected to shrink "considerably more" than the official projection of a 2 per cent decline, according to the survey.

In the longer term, the Yugoslav adjustment programme could still founder because of the lack of progress on crucial

structural issues. These include:

- reform of the banking system, which is still effectively controlled by client enterprises, leading to serious misallocation of resources;
- the absence of clear ownership rights in "socialised enterprises", which has deterred foreign investment and domestic saving;
- an inappropriate fiscal structure and weak constitutional power of the federal authorities;
- the workers' self-management system which biases enterprise decision-making against investment and in favour of inflationary pay increases.

Italian business battles on in troubled Lebanon

Lara Marlowe examines Rome's commercial perseverance against the heaviest of odds

At a time when every other nation seems to have abandoned Lebanon, the Italian Government is laying a firm foundation for Italy's future political and commercial role here, whenever the country's 15-year-old war comes to an end.

Water works built by Emit (Erecole Marelli Impianti Tecnologici), the computerisation of Lebanese telex and telephone bills by Olivetti and thousands of tonnes of spaghetti consumed by Lebanese school children are but a few examples of Italy's economic presence in Lebanon.

Italian diplomats in Beirut are counting on their country's forthcoming presidency of the EC to call a special conference on the Mediterranean - a third of which will be devoted to the Lebanese crisis.

Mr Giuseppe de Michelis Di Sionghello, Italy's ambassador to Lebanon, continues to disburse what remains of a \$130m credit line reserved by Italy for Lebanon in 1983.

Through a combination of loans and bi-lateral donations, the Italian Government is now financing the construction or repair in Lebanon of two

pumping and hydraulic stations, a dam and an aqueduct, three water treatment plants, an urban waste treatment plant and an electrical power station. The total value to Italian companies of these contracts approaches \$70m.

Mr de Michelis estimates that up to 400 Italian businessmen are still working in Lebanon, independently of Italian Government efforts. Giannino, for example, has been present in Lebanon since it built the country's main power station at Zouk in 1973. The installation's frequent destruction by artillery bombardments has given a new meaning to maintenance contracts.

When the Italian Government gave 30 refuse trucks to Lebanon at the beginning of this year, the Fiat company earned \$1.8m. Ten of the trucks were destroyed in the inter-Christian war between Gen Michel Aoun and the Phalange militia, but the other 20 are still running.

Similar losses long ago dissuaded the Arab League and western countries from investing in Lebanese reconstruction. But Mr de Michelis advocates such projects. "I am very much in favour of taking action now," he says. "The risk is personal, political and economic, but you must continue to be present. If you miss the boat now you will not catch it later."

"Purchases of Italian industrial machinery have declined because there has been so much fighting for the past year and a half," says Mr Antonio Righetti, the councillor for development co-operation at the Italian embassy in Beirut. "Beirut harbour has been closed most of the time and a lot of industries have shut down. But a lot more Lebanese businessmen are going to Italy to buy. We make it easy for them to get visas. Lebanese people like to take decisions quickly. When they have to wait around for a visa to Britain, France or Germany, they come to us. They are buying many millions of dollars

worth of Italian clothes, shoes and food products."

While Lebanese businessmen travel to Italy, Lebanese political and religious leaders have only to go to the Italian embassy in Beirut to apply for donations for their favourite projects. A file on Mr de Michelis's desk lists 56 projects proposed in the past two years by a uniquely disparate collection of Lebanese leaders.

Ten of the projects - which include medical assistance, housing for refugees, an artisan centre and cattle breeding facilities - have been approved, for a total expenditure of more than \$30m. Mr de Michelis attributes the fact that most of the applications accepted so far were on behalf of Maronite Catholic areas to the strength of the Maronite lobby in Italy.

Yet religious differences have not discouraged Moslem leaders from asking the Italians for assistance. Nabih Berri, the leader of the Amal Shia moslem militia, Walid Jumblatt, the Druze leader, and Sheikh Mohammed Hussein Fadlallah, the pro-Iranian Shia moslem cleric, are but a few of those seeking Italian funding for buses, ambulances, centres for the handicapped and agricultural projects.

"We have a reputation for being willing to help, so everyone asks," says Mr Righetti. Although Italy is careful to maintain political neutrality in Lebanon, it is preparing to assume a more important role in the Mediterranean region.

Mr de Michelis shows visitors an aide-memoire from the Italian foreign ministry which suggests that 25 per cent of European development aid be set aside for the Mediterranean basin. Mr de Michelis would like to see a large portion of that money go to Lebanon.

During its Presidency of the EC, Italy will propose a "Mediterranean Helsinki conference" comparable to the conference on security and co-operation in Europe (CSCE) to study the Arab Israeli conflict, the war in Lebanon and the partitioning of Cyprus.

Companies may be forced to face environmental facts

By David Thomas, Resources Editor

COMPANIES throughout the European Community could be obliged to carry out environmental audits from 1992 under a directive being prepared by the European Commission.

Environmental audits are systematic examinations of the environmental effects of a company's operations, including all its emissions to air, land and water, and the impact of the business on the local community.

These scrutinies are more

common in the US than in Europe, but the Commission is determined to give them a significant boost in order to encourage the spread of best environmental practice throughout Europe.

Mr Goffredo del Bino, the senior official charged with drawing up the directive, said he hoped it would be ready by mid-1991 and come into effect a year later. "It will cover in a very complete way the impact of a plant on the environment.

What is important is to have a total environmental view of a plant," he said.

The Commission has already held preliminary discussions about environmental auditing with representatives of some industrial sectors, notably chemicals.

The precise contents of the directive have yet to be settled, but Mr del Bino said that one possibility was to enact a framework law requiring companies in all EC countries to

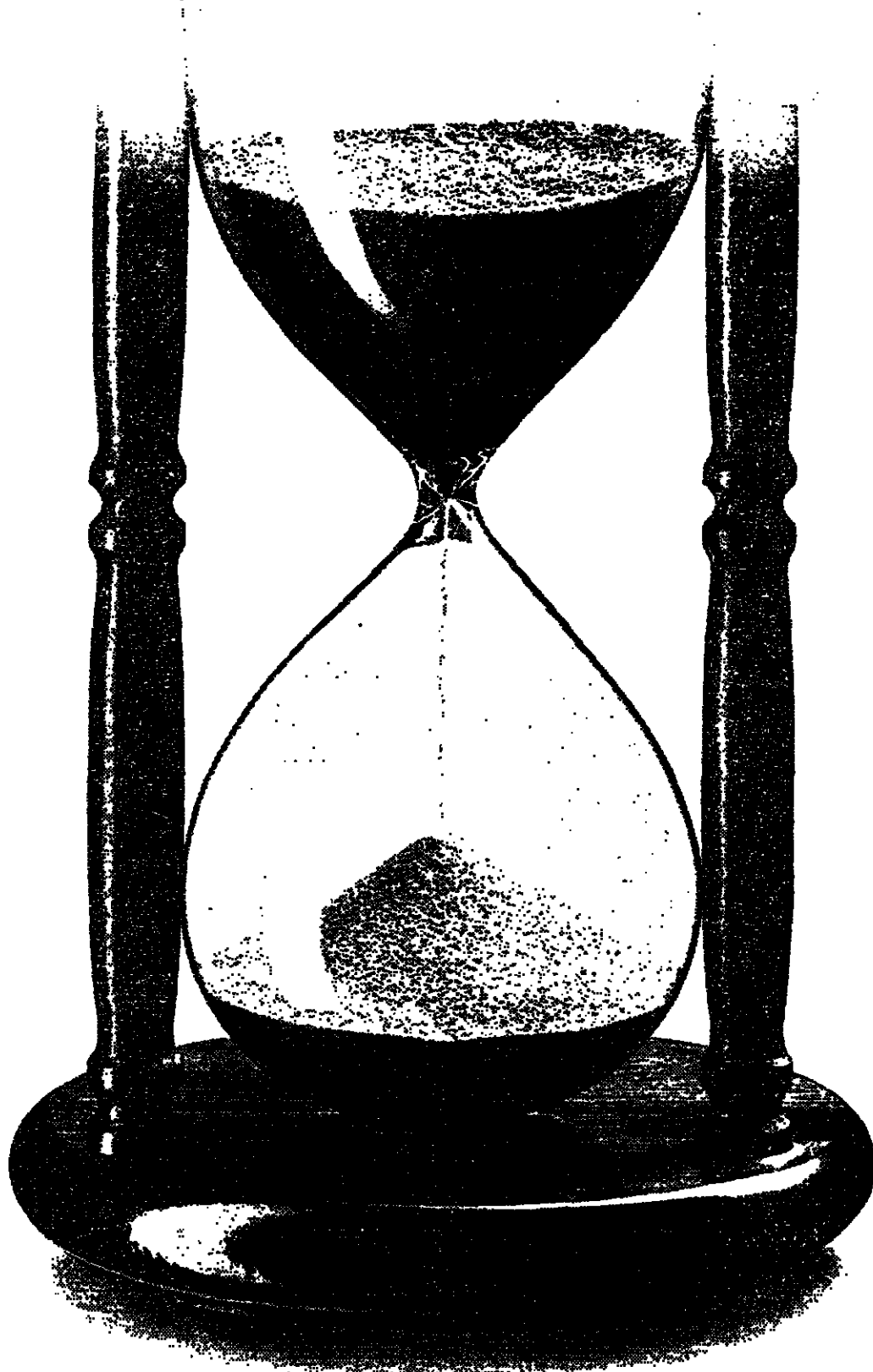
carry out environmental audits, but leaving much of the detail to each member state.

The Commission is also considering how to specify a size limit below which companies would be exempt from the auditing requirement; whether all industrial sectors should be covered by the legislation; and what information a company would have to make public after completing the audit.

Mr del Bino said the Commission recognised that some

parts of the audit would have to remain confidential, but stressed that an audit's broad results would have to be released if it were to serve much point.

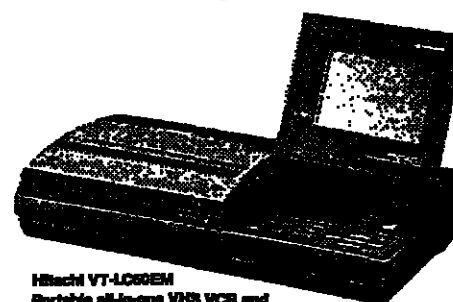
The Commission believes that a company audit would need to be updated regularly and carried out at least every three years or so. It will be a relatively intensive exercise, requiring a small team of people in large companies.

Sand, Glass & Time --
A Creative Fusion, A New Function

The advent of the hourglass in the Middle Ages was the result of combining simple materials creatively to perform a wholly new function. At Hitachi, we bring together our varied technological resources creatively to develop new products — like the VT-LC50EM, a fusion of electronic, display and materials know-how that lets people enjoy video and television wherever they are.

State-of-the-art electronics enabled us to pack full-function video recording and playback with multi-system television reception into a compact, go-anywhere unit.

Industry-leading R&D into liquid crystal technology helped us guarantee long-term performance — each of 115,200 picture elements in the built-in five-inch LCD screen has two back-up transistors.



Hitachi VT-LC50EM
Portable all-in-one VHS VCR and multi-system TV with five-inch LCD screen

Combining these elements was no easy task. A special insulator was needed, for example, to prevent electrical noise from interfering with video signals. Our materials engineers developed a special alloy shield to do the job.

The fusion of our advanced skills from electronics and video to materials and supercomputers constantly creates distinctive new products — integrated products with the original functions, reliability and quality that are hallmarks of Hitachi.

HITACHI

Hitachi Sales (U.K.) Ltd.
Hitachi House, Station Road, Hayes
Middlesex UB8 4DP
Phone: (0181) 848-8787
Fax: (0181) 841-4666

Doubts raised over EC help for Mediterranean

By David Buchanan in Luxembourg

AMBITIOUS PLANS by the Commission to spend more than Ecu3bn (£2.16bn) to stop Mediterranean countries falling economically further behind their European neighbours yesterday received a mixed reception from EC ministers.

Mr Abel Matutes, the Commissioner in charge of Mediterranean policy, said the Community needed to balance its largesse to eastern Europe by helping its southern neighbours meet their special problems which, if unresolved, could flood the EC with illegal immigrants.

He revealed that Brussels had plans to increase spending in 1992-96 to Ecu420m to promote economic co-operation, environmental protection, training, and joint venture promotion in the Mediterranean

basin, and to put Ecu1.4bn of its own money, and a matching amount in European investment Bank loans, into eight countries in the Maghreb and along the eastern Mediterranean shore.

Virtually all EC ministers agreed the Mediterranean deserved more, but Britain stressed caution, noting that Mediterranean status last year had only been able to take up half the EC loans on offer.

Along with the Dutch, Danes and Germans (northerners with few products competing with those from the Mediterranean), the UK emphasised trade concessions to help southern neighbours "boost their earnings". Portugal expressed fear for its textile industry which accounts for more than a quarter of its total exports.

Bulgarian election 'fair'

By Ralph Atkins

BRITISH politicians who observed the Bulgarian elections over the past two weeks expressed general satisfaction yesterday with the process despite reports of irregularities and allegations of intimidation. The five MPs and one Lord said the conduct of the vote had given legitimacy to the newly-elected National

Assembly. The contest was won by the Bulgarian Socialist Party, formerly the country's Communist party.

Lord Tordoff, Liberal Democrat, said Bulgaria's electoral commission had shown "a clear willingness all the way through the process to handle complaints and respond in any way they possibly could."

Greece to lift curbs on capital over next year

By Kerin Hope in Athens

GREECE PLANS to lift restrictions on capital outflow over the next 12 months so that Greeks can export drachmas freely to buy property and securities abroad, the Economy Ministry said yesterday.

The move, which becomes fully effective on July 1, 1991, is not expected to trigger large-scale transfers of Greek funds abroad, although bankers admit that they are expecting an initial drain of capital.

"We anticipate a short-lived shock effect, but that should quickly be offset by more inflows in the medium- and long-term and an overall growth of confidence in the drachma," said a senior Bank of Greece official.

Greece should have complied last December with a European Community directive freeing outward movement of capital, but sought an extension because of a widening current account deficit — \$2.57bn last year.

The deficit soared to \$2.52bn in the first four months of

1990, with foreign exchange earnings being held abroad amid fears of a devaluation. However, unofficial figures show the deficit shrank to around \$200m in May. The central bank predicts this year's shortfall will be below \$30m as a result of increased EC transfers, tourism earnings and investment inflows.

The Government proposes to lift controls in several stages. The first, in September, will raise travel allowances for tourists from Ecu1,000 (£720) to Ecu1,200 (£864) per trip.

The ceiling for Greek purchases of securities issued by the Community and the European Investment Bank will be increased from Ecu50m (£36m) to Ecu75m (£54m) for 1990, while Athens-based mutual funds will be permitted to invest 25 per cent of their holdings abroad.

Both the travel allowances and investment limits are to be raised again in March before all restrictions are abolished next June.

del, intals

EUROPEAN NEWS

Japanese business rated most competitive

By William Dullforce in Geneva

JAPAN'S business environment continues to be by far the most competitive of any country, according to the 1990 world competitiveness report published by the International Institute for Management Development and the World Economic Forum.

The report assesses 326 criteria, broken down into 10 factors, to arrive at its scorecard. Japan comes top for the dynamism of its economy, its industrial efficiency, its financial dynamism, its international orientation and its technological preparations for the future.

Some way behind come Switzerland, the US and Germany. Switzerland scores for its socio-political stability and the attitude of the state, which indicates that the chosen criteria reward highly the lack of state interference and even a government's slowness to respond to economic developments.

The US trump cards are human resources and the dynamics of the domestic market. Germany ranks top in none of the 10 factors but displays all-round strength, apart from low scores for its human and natural resources.

However, Germany comes out first in the business confidence scorecard, based on business executives' perceptions of the competitive strengths and weaknesses of the 34 countries judged in the 330-page report.

Canada, in fifth place, is followed by a tightly packed cluster of eight countries, including the UK in 12th place. After France, 14th, the decline in competitiveness is more rapid.

The UK's best score is for its international orientation, a factor assessing the openness of an economy to the rest of the world, in which it comes third after Japan and Germany. But the UK obtains mediocre ratings for human resources, which include the education system, its socio-political stability and its technological preparation.

Ten newly industrialised economies are ranked separately. Singapore, with top ratings for five of the 10 factors, has a lead which is even more impressive than that of Japan among the OECD countries.

Taiwan and Hong Kong make a close race for second place; Korea, Malaysia and Thailand in that order form a middle-ranking bunch, after which there is a sharp fall in competitiveness to Mexico, Indonesia, Brazil and India at the bottom.

Hungary is included in the report for the first time as a precursor of the proposed expansion to cover the countries of eastern Europe. Mr Thomas Rauchenback, a member of the WEF board, writing a personal preview, lists as factors in Hungary's favour its ability to attract foreign direct investment and joint ventures, the reform of its financial sector and "a certain tradition of entrepreneurship."

However, he rates East Germany as the frontrunner, expecting its competitiveness to benefit from a huge transfer of resources from the West German business community.

Alcatel in \$2.8bn deal with Moscow

By William Dawkins in Paris

THE SOVIET UNION is to buy an estimated \$2.8bn (\$3.8bn) of digital telephone lines over the next 20 years from a joint venture with Alcatel Bell, the Belgian subsidiary of Europe's largest telecommunications equipment supplier.

This is the first big Western breakthrough into the Soviet telecommunications market since Western allies agreed earlier this month on a sweeping liberalisation of technology sales to the east, and the first digital-based joint venture in digital switching equipment.

The reform, by the Co-ordinating Committee for Multilateral Export Controls (CoCom) has opened the way for

increased western supplies of computers, machine tools and telecommunications, needed to build modern economies.

Separately, Alcatel Bell has entered a co-operation agreement with the Soviet authorities, under which it would later join a second joint venture to make VLSI chips that form the heart of System 12 switches.

The accords, which are within CoCom's new rules and represent the fruit of more than a year's negotiations, would allow the Soviet Union to set in place the foundations of an independent modern telecommunications industry.

Christened LenBell Telephone, the digital switching

equipment venture will have \$500m of capital, 60 per cent held by the Leningrad-based industrial association, Krasnaya Zarya, with the remaining 40 per cent held by the Belgian company.

The venture, to be based in Leningrad, aims to take five years to reach full production of 1.5m System 12 digital telephone lines, destined for the Soviet public telephone networks, which currently use outdated analog lines.

The Soviet Ministry of Communications has already agreed to buy 250,000 lines within two years. LenBell Telephone is also planning to produce 100,000 digital 5400 ECN

PABX lines annually as well as digital exchanges for private switchboards.

The joint venture will be entitled to make payments and royalties in foreign currency, a provision which is understood to come in response to the problems experienced by other Western joint venture partners in extracting hard cash from the Soviet Union.

Alcatel, 68 per cent owned by Compagnie Générale d'Electricité, the French electronics and engineering group, is among the first Western European companies to exploit the east's need for modern telecommunications.

Spanish bank cuts lending rate

By Peter Bruce in Madrid

BANCO SANTANDER, one of Spain's biggest commercial banks, yesterday cut its prime lending rate by half a point to 12.5 per cent in a move which could presage a general softening of interest rates in Spain.

The move follows growing signs, including zero inflation in May, that the Government is winning its battle to cool down the economy. It may also signal the end of a bitter struggle between Spanish banks in the last nine months to attract customers through the use of high interest current accounts.

Economists have been predicting that as the Government makes progress in its fight against inflation, interest rates would have to fall.

Strong inflows of short-term capital attracted to Spain because of the wide interest rate differentials it maintains with its main trading partners, France and West Germany, have also been making it difficult to control money supply growth.

The government, though, may want to see inflation slowing over three or four months before easing the cost of money.

Spain and the ERM one year on, Page 26

Mitterrand favours stronger powers for Euro-parliament

By Ian Davidson in Paris

NEGOTIATIONS on a projected treaty on political union in Europe, which are due to be launched at next Monday's EC summit in Dublin, should include strengthening the powers of the European Parliament, and possibly the creation of a second chamber, President François Mitterrand said yesterday.

In a wide-ranging interview in Le Monde newspaper, the French President said he favoured a second parliamentary chamber in principle, as a way of linking national parliaments more closely with the Community enterprise, but had not finally made up his mind.

Mr Mitterrand said he would be raising at the summit the question of possible financial, commercial and technical help by the west to the Soviet Union.

He underlined his support for the reform efforts of President Mikhail Gorbachev, and the need to avoid any western action which could appear threatening to the Soviet Union. But he also insisted that Nato had to be maintained, with the unified Germany as a member. "It will be good to adjust its strictly military content, which gives it the

appearance, to my mind outdated, of bloc against bloc."

The alliance should open itself to all the political security problems relating to the European balance; but it should stick to its treaty-bound geographical area, and France would stick to its special status (outside the integrated military structures of Nato).

He hoped that Europe would one day take care of its own security, but that would not be feasible soon. In the meantime, Europe's security had been conceived in the framework of Nato as a means of defence against the Soviet Union and the Warsaw Pact.

"At present the facts have not substantially changed, if one considers the balance of military forces," he said, "so let us take first things first: let us finish the negotiation with the Soviets on conventional disarmament."

On South Africa, President Mitterrand expressed his respect for President P.W. de Klerk and for the lifting of the state of emergency. But he said that the moment had not yet arrived for lifting economic sanctions since they had been imposed against apartheid, and apartheid was continuing.

Soviet jet hijacked

By Enrique Tessieri in Helsinki

A YOUNG SOVIET hijacker was yesterday seeking asylum in Finland after forcing a Soviet airliner carrying 35 passengers to land in Helsinki and surrendering himself to police.

The Aeroflot Tupolev 134 airliner was hijacked en route to the northern city of Murmansk in the Soviet Arctic.

The 20-year-old hijacker gave himself up an hour after the Soviet aircraft landed in Helsinki-Vantaa Airport yesterday morning. The interior Ministry

said that the hijacker had planned to fly to the US via Stockholm.

The hijacker's appeal for asylum was being considered.

Finland and the Soviet authorities have an agreement dating from 1974 under which they undertake to return hijackers to their country of origin.

On the last occasion when a Soviet airliner was hijacked to Helsinki, in 1978, the hijackers were returned to the Soviet Union.

Poland recalls envoys

POLAND has recalled 38 ambassadors as part of a radical overhaul of its embassies, the Government said yesterday. Reuters reports from Warsaw.

A report in the Solidarity newspaper Gazeta Wyborcza said 20 ambassadors had already returned to Poland and the rest were winding up their postings.

The newspaper reported that a government commission was reviewing all employees of Polish embassies and consulates, about 1,000. A third were expected to be recalled.

A deputy government spokesman, Mr Henryk Wozniakowski, said embassy staff were often career party officials who were not specialised in foreign affairs. "The idea is to make the ministry really professional and free from all those old political burdens."

Gazeta Wyborcza said some of those recalled would be replaced by new envoys appointed by competition, and some posts would be cut.

It also said the defence ministry intended to dismiss about 6,000 officers beginning with those aged over 60.

Lithuania puts Moscow offer on agenda

THE LITHUANIAN parliament may start discussing Moscow's offer of a compromise over its independence bid next Tuesday after putting off the debate by a week, a parliamentary spokesman said yesterday, writes Leyla Boulton in Moscow.

However, Lithuania's pro-independence movement, Sąjūdis, has come out against a deal with Moscow. "We do not want a return to the past," a spokeswoman said.

Mr Harold Subacius, a parliamentary spokesman, said that the debate, which had been due to start yesterday, was postponed because key republican leaders were too busy to present the proposal to parliament.

President Vytautas Landsbergis said that parliamentary committees had to study the proposal carefully. The proposal is for a moratorium on the independence declaration for the duration of secession talks.

He also suggested that a public opinion survey be held on the matter, according to Moscow Radio's unofficial news agency Interfax.

The parliament of neighbouring Latvia, which wants independence through a step-by-step approach, has also postponed discussing an offer from Moscow, but set no date for a debate.

German unity target

Chancellor Helmut Kohl and his coalition partners want German unification immediately after the polls close in all-German elections in December, coalition sources told Reuters in Bonn. Likely polling dates are December 2 or 9.

Brussels overcomes more hurdles on road to 1992

By Lucy Kellaway in Brussels

HEART pacemakers will soon be able to cross frontiers safely following a set of agreements by European Community ministers expected at today's Single Market council meeting.

Agreement on this and up to 15 other worthy measures ranging from the safety of hydraulic lifts to pensioners' rights of residence, are likely to be reached at the Luxembourg meeting.

The number of proposals shows that the pressure of work in the back offices is being maintained towards the 1992 deadline. It also shows that the Irish Presidency is

anxious to achieve as much as possible before handing over to Italy at the end of the month.

Most of the measures remaining to be agreed to complete the 1992 programme are fairly technical, as today's agenda suggests. The bigger measures have mostly been adopted or syphoned off to specialist council meetings to deal with.

Ministers will adopt three new directives setting safety standards for medical equipment and other specialised machinery and will agree to modify three existing ones. They are also likely to agree on a common approach to testing goods to make sure they meet new EC safety directives. This measure is seen as important as there is little point in agreeing minimum safety standards for a product if everyone carries out tests differently.

Progress should also be made on insurance, with ministers likely to agree a directive which will make it easier to sell certain kinds of motor insurance across borders. A more important insurance measure, which allows individuals to buy life insurance anywhere in the Community and which was agreed in principle in December, will be rubber-stamped today.

Directives that would allow pensioners, students and others without employment to live where they like in the Community are likely to be adopted after more than 10 years' discussion. The directive would allow them to settle anywhere as long as they can prove they can support themselves.

The Financial Times (Europe) Ltd. Published by the Financial Times (Europe) Ltd., Frankfurt. (Guillemotstrasse 54, 6000 Frankfurt-am-Main 1. Telephone 069-75980; Fax 069-722677; Telex 416193) represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McLean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London, Printer: Frankfurt Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholder: The Financial Times Limited. The Financial News Limited. Publishing director: B. Hughes. 148 Rue de Rivoli, 75004 Paris Cedex 01. Tel: (01) 4297 0631; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Edouard, 1521 Rue de Clichy, 91010 Boulogne Cedex 1. ISSN: ISSN 1143-2753. Commission Paritaire No 67906D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935535.

Who will nourish the seeds of tomorrow's technologies?

The handmaiden of every new

technology is risk. There are no guidebooks to the

New. ■ Success or failure often hinges on instinct, and

the willingness to invest in a belief.

■ Decades ago, Motorola committed

millions to an emerging technology

that many dismissed as a gimmick. Today, cellular phones

are used in more than 40 countries. And, we produced

the first hand-held cellular portable

phone. In 1989, we introduced the

Motorola Micro T·A·C® Personal

Telephone, shirt-pocket small, with a

fraction of the parts of the original cellular

phone. ■ These developments, along with others,

are the product of an annual R&D investment

more than twice the world

average. Such is the measure

of our belief.

The new body-friendly Motorola Micro T·A·C® Personal Telephone is the smallest cellular telephone ever made.



Building On Beliefs



MOTOROLA

© Motorola and Micro T·A·C are trademarks of Motorola, Inc., ©1990 Motorola Ltd.

WORLD TRADE NEWS

US court halts shipments of Motorola chip

By Louise Kehoe in San Francisco

A US court has halted shipments of Motorola's flagship microprocessor product, a chip that is a critical component of many computers, including some of Apple Computer's personal machines and workstations from several makers including Hewlett-Packard.

An Austin, Texas, federal judge signed an order yesterday enjoining Motorola from making further shipments of the chip. The decision stems from a long-running patent dispute between Motorola and Hitachi of Japan, with each company accusing the other of patent infringement.

In a ruling in April, the judge said both companies had infringed the other's patents and ordered them to halt shipments of the infringing products. He lifted the ban pending arguments from both sides, but now appears ready to reinstate the order.

Motorola said it will file an emergency appeal and is confident the decision will be stayed, allowing it to continue to supply the disputed chip to its customers. Unless Motorola can persuade an appeal court to rescind the order, some 70 computer companies that depend on Motorola for supplies of the 68030 microprocessor may be affected.

Motorola's semiconductor sales were drastically hit. The 68030 is one of the company's most important semi-

conductor products in the highly competitive microprocessor market.

Hewlett-Packard (HP), which announced a new range of computer workstations based on Motorola microprocessors on Monday, claimed it has a contingency plan which it believes will allow it to continue to obtain supplies of 68030s from Motorola.

A previous patent cross-litigation between Hitachi and HP covers the disputed technology, an HP spokesman said. The company would assign that right to Motorola to prevent any interruption of supplies, but any such arrangement would require court approval, which appears uncertain.

Apple Computer, which uses the 68030 in all its high-performance personal computers, noted Motorola remains confident it will be able to provide an uninterrupted supply of chips. "We do not think this will have a material effect on Apple," a spokesman said.

In a submission before the decision, Apple claimed the order could have dire consequences, halting its production of its highest-performance computers.

Motorola said: "We are dismayed that Judge Bunton made this decision, knowing full well the two parties have been engaged in earnest attempts to settle this matter."

Soviet payments held back, say Turks

By Jim Bodgener in Ankara

COMPLAINTS by Turkish exporters of delayed payments totalling between \$60m (\$35.5m) and \$100m are threatening to sour burgeoning trade between Turkey and the Soviet Union, following a mid-1980s natural gas-for-goods arrangement.

It appears Turkish companies most at risk are those which venture outside the agreement covering Turkish export credits valued at a total \$300m. Turkish companies seeking to expand market shares have been forced to move outside the constraints of the agreement and the credits, largely exhausted in 1989.

Turkish officials say signing is imminent of a \$350m line of project credit, backing the award of industrial contracts to Turkish contractors, but this has been under discussion since last year.

Turkish officials involved in the gas deal say outstanding payments cannot be as large as \$100m. But companies have reported difficulties in payments involving cash against documents, where 15-day terms are extended arbitrarily by up to six months by Soviet foreign trade companies.

Since 1988, Turkey has exceeded its commitments to import natural gas from the Soviet Union. This year's payment will amount to around \$300m for about 3.5bn cu metres, imported through a pipeline completed in 1987 from the Bulgarian border to Ankara.

Work is going ahead to convert existing natural gas distribution networks in Turkish cities, while several tender competitions are under way in others, such as Bursa, for designing and installing new networks to take the gas.

Most exposed are companies supplying bulk chemicals, which were forced to keep their market share by deals involving cash against documents when export credits ran out. Enthusiasm over changes in eastern Europe has been followed by a view among Turkish traders that the eastern bloc lacks the financial resources to replace stagnant Middle East markets, especially Iraq and Iran.

Gatt bid to simplify tariff charges agreed

By William Dullforce in Geneva

A SIGNIFICANT simplification of the world trading system was agreed yesterday in the Uruguay Round trade talks. From now on, the plethora of extra charges levied by many governments on imports will be recorded in the tariff schedules that each country has to publish under the General Agreement on Tariffs and Trade (GATT).

Moreover, as with their regular tariffs or customs duties, countries will be expected to "bind" the extra charges, undertaking not to raise them above the levels prevailing at the end of the Round in December. Governments will not be able to return to the higher charges they may have imposed at the time they first bound their tariffs - in some cases, as far back as 1948.

The provisional agreement will make life easier for export-

ers, especially those doing business with developing countries. It is provisional in that it depends on the whole package of results from the Round being accepted by trade ministers in Brussels in December.

At present, many governments apply a multiplicity of surcharges, port taxes, stamp duties, revenue charges and taxes, to finance development projects on imports, in addition to the straight tariffs. In some cases, these extra charges are bigger than the tariffs themselves and are not always immediately apparent to new exporters to a market.

In future, the extra charges will be listed alongside the regular tariffs in GATT's loose-leaf schedules which are available to all exporters, making the barriers facing their products at borders more easily identified and more predictable.

Charges not covered by the agreement include anti-dumping and countervailing duties, which have in any case to be published under GATT rules; some charges regarded as internal taxes; and so-called user fees.

The new agreement is also highly relevant to the negotiations on new reciprocal tariff reductions that GATT's 97 members are currently conducting under the Uruguay Round, in which the target is a further 30 per cent overall cut in tariff levels. Countries will now have to show the real extent of the changes imposed on imports.

In a separate move, the US and Canada renewed efforts to modify developing countries' rights under GATT to impose trade restrictions when they run into balance-of-payments (BOP) difficulties or seek to promote their economic development.

Arguing that trade measures offer an inefficient means of restoring a country's payments balance and that open trade is more conducive to development, the industrialised nations have been insisting that the current protection allowed should be reduced, at least for countries which have reached a certain level of development. Strong opposition has come from a majority of developing countries.

In March, the European Community called for a substantial tightening of the GATT rules governing BOP protection. The joint US-Canadian paper offers some compromises.

Their proposal would severely limit the extent industrialised nations could use trade restrictions for BOP purposes; they would have to dem-

onstrate a critical BOP situation, the absence of alternative measures, and limit restrictions to a period of months.

Developing countries would be expected to use mainly price-based restrictions uniformly applied to all imports and, except for the poorest nations, limited to a given number of years.

They would be allowed to resort to quantitative restrictions, such as import quotas, only when they could show a critical and rapid deterioration in their BOPs, and when price-based measures would not meet the situation.

Within four months of imposing its BOP restrictions, a country would have to table a schedule for doing away with them. Restrictions would be reviewed every year for developed countries and every two years for developing countries.

Japan must end 'foot-dragging' says Hills

MRS Carla Hills, US Trade Representative, has urged Japan to end "foot-dragging" in talks on the final shape of an agreement to open its market to foreign imports.

"Let no one think we are going to be mollified by mere promises of progress," she said, in a tough address to The Japan Society in New York. "The American people will not be satisfied until all American businesses can offer their goods and services in Japan in free and open competition."

As a settlement in the US Structural Impediments Initiative (SII), Japan in April agreed to improve enforcement of its anti-monopoly law, increase imports by raising spending on public infrastructure, liberalise retail store law and reduce barriers to foreign investment.

The final SII report is due next month, but Japanese negotiators have been blocking US demands for specifics and its insistence on continuing monitoring.

Mrs Hills said Japan must augment its commitments with detailed plans, and specify amounts for infrastructure and action schedules. She urged Japan to make market opening agreements on digital computers and telecoms services.

ECGD delays new export charges

By Peter Montagnon, World Trade Editor

BRITAIN'S Export Credits Guarantee Department is delaying introduction of new premium charges for capital goods exports following representations by exporters worried higher charges would make them uncompetitive.

Exporters were told earlier this year that the new charges, which would substantially increase the cost of cover for some more difficult markets, would be introduced this month.

But Mr John Redwood, corporate affairs minister, said the Government had received many representations from both Par-

liament and the exporting community, and would consider these carefully before the new premium charges were introduced.

His written statement gave no date when the new premiums would come into effect. ECGD officials say they still expect to introduce the new system later this year and that there is no significance to the delay.

The system is based on a complex formula designed to match premium charges more closely to the risks covered. But it ran into opposition from exporters who argued higher premiums would disadvantage

them compared with their counterparts abroad. ECGD's premiums are already high by international standards.

The Government has already said it would accompany introduction of the new rates with an international campaign to persuade other countries to raise their own charges. Last month, Mr Nicholas Ridley, Trade and Industry Secretary, expressed his concern that the general level of rate charges by other countries was so low as to make break-even unlikely. International trade rules required that export credit agencies be run on a break-even basis, he added.

US and Taiwan in beef compromise

TAIWAN and the US have compromised on import tariffs for US beef after 13 hours' talks in Taipei. Peter Wickenden reports. Import duties on ox shank and brisket will be raised to NT\$30 a kilogram from NT\$22.8, and July 1993, Taipei argued that a large import of low-grade beef was damaging the domestic industry. The US said shank and brisket should be classified as high-grade beef and taxed at a lower rate.

In return, Taiwan agreed to cut tariffs on high-grade beef from NT\$23.8 a kilogram to NT\$20, effective August 1 until January 31, 1995. The tariff on two categories of processed beef products was cut from 40 to 30 per cent.

UK-S Africa trade

UK-South Africa trade continues to flourish despite sanctions, with South African exports to Britain 45 per cent up in the first quarter of 1990. Philip Gwath reports from Johannesburg.

UK exports to South Africa in the same period rose 14 per cent, a bigger market share since total South African exports fell compared with 1989. UK figures show South African exports to Britain in the first quarter of 1990 were worth £270.5m (£188.6m in the same quarter last year).

Olivetti in telecoms battle

OLIVETTI, the Italian computers and office equipment group, is to lead the second private-sector consortium planning to compete in Italy's mobile telecommunications market, following formation two months ago of group between Fiat, Fininvest and Racial Telecom of the UK, Haig Simonian reports from Milan.

Both the private-sector alliances plan to challenge Societa Italiana per l'Esercizio delle Telecomunicazioni (SIT), the public-sector radio communications operator, once EC legislation is passed breaking SIT's monopoly on telephone services.

lari Italiana, the consortium in which Olivetti will have a majority stake, includes Televeter, the Swedish telecoms operating company, Bell Atlantic International of the US, Cellular Communications, a leading US operator of radio and mobile phones, and the Shearson Lehman Hutton group.

The consortium plans to spend over L1,500bn (£715m) on its initial investment budget. Olivetti will appoint the chairman and managing director, and provide information technology and sales network. The other partners will bring expertise in cellular phone technology, Olivetti said.

Work is going ahead to convert existing natural gas distribution networks in Turkish cities, while several tender competitions are under way in others, such as Bursa, for designing and installing new networks to take the gas.

Most exposed are companies supplying bulk chemicals, which were forced to keep their market share by deals involving cash against documents when export credits ran out. Enthusiasm over changes in eastern Europe has been followed by a view among Turkish traders that the eastern bloc lacks the financial resources to replace stagnant Middle East markets, especially Iraq and Iran.

AMERICAN NEWS

Battle to meet Meech Lake deadline

By Bernard Simon in Toronto

SENIOR Canadian cabinet ministers and constitutional experts were yesterday searching for some way to pull the controversial Meech Lake accord off the rocks it has hit in the province of Manitoba.

Despite unrelenting opposition from aboriginal leaders and the reluctance of the Manitoba government to bend legislative rules, a federal official said Ottawa remained optimistic the accord could be ratified before it expires on Saturday.

But after an abortive attempt on Monday to persuade native leaders to drop their stalling tactics, the Manitoba legislature, Mr Brian Mulroney, the Canadian Prime

Minister, is rapidly running out of time and options to secure passage of the constitutional reforms.

Pre-occupation with events in Manitoba has taken the spotlight away from Quebec separatists who are generally seen as having the most to gain from the accord's collapse. But in general the traditional Canadian spirit of compromise has given way in recent weeks to a more confrontational approach among almost all the parties to the saga.

The accord, which would bring Quebec into the Canadian confederation in exchange for recognising its "distinct identity," needs to be ratified

by all 10 provinces to take effect. Premiers of three dissenting provinces - Manitoba, New Brunswick and Newfoundland - agreed after a marathon bargaining session earlier this month in Ottawa to strive to meet the June 23 deadline.

New Brunswick approved the accord late last week, and Newfoundland has scheduled a free vote in the legislature for either tomorrow or Friday.

Mr Gary Filmon, the Manitoba premier, promised to hold public hearings before a vote in his legislature, but these hearings have been blocked by the lone aboriginal member. In a further stalling tactic, about

3,000 people - mostly natives - have asked to give evidence at the hearings.

In one unusual precautionary measure which may help smooth last-minute passage of the accord, the federal government has cancelled a scheduled adjournment of the House of Commons this week, which was planned to allow opposition Liberal MPs to attend a convention in Calgary to pick a new party leader.

A parliamentary vote would be needed to extend the Meech Lake deadline beyond Saturday, but such a move would also require the concurrence of the eight provinces which have ratified the agreement.

Budget chief in warning on \$80bn spending cuts

By Peter Riddell, US Editor, in Washington

ACROSS-the-board spending cuts of \$80bn (\$47.33bn) will have to be introduced in October by President Bush, Mr James Baker, US Secretary of State, last March. It was the first of many, high-ranking contacts between the US and US governments since the anti-nuclear war blew up after the Labor government took office.

Mr Moore believes the softer attitude will be worth millions of dollars to New Zealand's trade.

A letter now being sent formally to Mr Moore is understood to specify that the "injury test" will be reinstated on September 30, 1991, which will mean that countervailing tariffs will no longer be imposed on NZ imports to the US.

Mr Geoffrey Palmer, New Zealand's Prime Minister, said this week there was greater understanding in the US and other countries of New Zealand's nuclear position. Other countries had not realised how broadly and thoroughly the anti-nuclear policy was supported there.

Fujimori's hope may lie in disaster bridging the divide

Robert Graham on the Peru awaiting its president

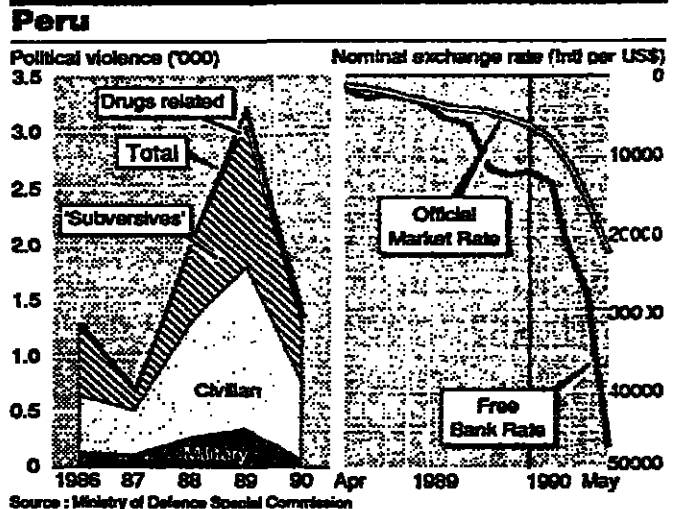
RARELY has a presidential election result been greeted with such little enthusiasm as that of Mr Alberto Fujimori in Peru. Even his most fervent supporters seem cowed by the sheer scale of the problems this untried politician will face when he takes office on July 28, his 52nd birthday.

He inherits a Peru which has become one of the world's 25 poorest nations, a hyperinflation only outstripped in Latin America by Nicaragua, an increasingly pervasive illicit drugs trade and a well-rooted Maoist guerrilla insurgency that has spread violence from the southern Andean highlands to the capital Lima. He himself has few illusions about what can be achieved: "I do not expect to solve all the problems in the next five years," he says, "but I do hope to be able to lay the base for a strong Peru."

Fujimori's victory has raised expectations only to the extent that Peru's vast underclass now feel they are represented by one of their own rather than the traditional elite. The low level of expectations should be to his advantage. The wide margin of his victory will also boost his authority. Official results are still pending but unofficially he obtained at least 20 per cent more of the vote than his rival, Mr Mario Vargas Llosa, the novelist candidate of the centre-right alliance Frente.

The handicaps, however, are formidable: not least the question of time. Mr Fujimori must flesh out the finest of programmes and find a team virtually from scratch in less than six weeks. During the campaign, he skillfully judged the nation's mood and presented issues in a comprehensible way. But his prescriptions were vague and colleagues say he is only just beginning to concentrate on details. He has none of parliament.

His seven-month old Cambio 90 political movement possesses 32 untried deputies in the 120-member chamber. This compares with Frente's 60 and 55 deputies of the ruling party Apra controlled by outgoing President Alan Garcia. Every aspect of legislation will



Source: Ministry of Defense Special Correlation

therefore require alliances.

Outside parliament, Cambio 90 has no formal linkage with either the main employers' organisations, controlled by his business allies, or the militant trades unions, controlled by the communist left. His support has been more "informal" and grassroots - small businesses, evangelical groups and neighbourhood communities.

Mr Fujimori's plan for government is built round forming a national consensus among the disparate parties. "Initially," he says, "we will not make formal alliances but try to come to pacts on specific issues such as debt, pacification, economic stabilisation and agricultural development."

In combating subversion, he should find common ground across the political spectrum. Sendero Luminoso (Shining Path), the guerrilla organisation, is itself split between those who wish to negotiate and those who wish to fight. His main hurdle will be the armed forces, who mistrust any "soft" approach to dealing with terrorism.

Striking a pact on an economic stabilisation programme will require far greater negotiating skills. Politicians and their parties will have to be persuaded to bury bitter personal differences and deep ideological divides.

President Garcia for the past two years has avoided introducing such a programme and is largely responsible for the progressive impoverishment of Peru with an annualised inflation of 2,200 per cent. Mr Vargas Llosa, on the other hand, lost the election in part because he pledged a brutal shake-up of the state as the sole means of tackling hyperinflation and regenerating investor confidence. Mr Fujimori offered a softer, more gradualist approach with fine tuning.

The president-elect's economic thinking is nevertheless much closer to the market principles of Friedman than of Apra which is by tradition interventionist and nationalistic.

Much depends on whether President Garcia is prepared to make adjustments before he hands over to Mr Fujimori. For instance prices on utilities and a number of basic products need to be raised 30 per cent if they are to recover their 1985 values; the inter-dollar rate is hopelessly out of line. If nothing is done, Mr Fujimori will inherit a near-empty treasury and an even narrower set of options.

Relations with the international financial community are at an all-time low and the solidarity of neighbours such as Argentina has evaporated in the face of unpaid trade bills. Mr Fujimori seems to be banking on the economic situation being so demonstrably disastrous for it to be in no one's interest not to co-operate.

Journalists launch suit against Atex

By Louise Kehoe in San Francisco

EIGHT US journalists and three of their spouses have filed a \$370m (\$159.76m) lawsuit against Atex Publishing Systems, the computer maker, claiming they suffered disfigurement injuries by using newsroom computer systems.

The suit is the second of its type to be filed this month against Atex.

The suits will test the liability of computer manufacturers toward users who suffer from repetitive strain injury (RSI), which is now said to be the second most common form of occupational injury in the US.

The apparent prevalence of RSI suggests that if the suits are successful computer manufacturers could face huge liability claims.

In the latest suit, the journalists claim Atex, a subsidiary of Eastman Kodak, which produces computer editing systems for use by newspapers and magazines, was negligent in marketing the computers and failed to warn users of the dangers or develop substitute systems.

They are each seeking \$20m in punitive damages and \$10m in compensatory damages. The spouses are claiming \$10m each for loss of companionship.

A lawyer for the journalists said none of the employers was named as a defendant as their liability was limited by state compensation laws.

US prepares hero's welcome for Mandela

By Lionel Barber in Washington

MR NELSON Mandela, deputy president of the African National Congress, opens a 12-day US tour in New York today aimed at raising money, paying tribute to anti-apartheid supporters and maintaining sanctions against the South African Government.

After 27 years in prison, Mr Mandela has become a hero bordering on a cult figure in the US. As South Africa's leading black politician, he can expect to be treated with a deference normally accorded to powerful foreign visitors.

For black Americans his visit will have special resonance. Already there are predictions, perhaps inflated, that the 71-year-old deputy president will enjoy pulling power similar to Dr Martin Luther King, the slain civil rights leader of the 1960s.

As on his recent trip to London, Mr Mandela's eight-city US tour will be an uneasy combination of show business and politics. The ANC leader's hectic schedule - constantly being revised or cut back to preserve his strength - starts with a ticker-tape parade today in New York. It also includes a rock concert in Hollywood, an address to a joint session of Congress and talks next Monday with President George Bush at the White House.

Mr Mandela is expected to urge the Bush Administration to maintain sanctions against

Stalemate in talks over boat people

By Peter Riddell

BRITAIN has suggested a temporary holding centre for Vietnamese boat people outside the present countries of first asylum in south-east Asia, but not on US territory, as a means of breaking deadlock over the issue.

However, there were no signs of any breakthrough during talks in Washington between Mr Francis Maude, the Foreign Office Minister of State responsible for Hong Kong, and the Bush Administration. The Administration has rejected both involuntary repatriation and a British idea that US facilities on Guam and the Philippines might be used as a temporary holding centre for refugees. Consequently, plans for a non-US centre are being explored.

Mr Maude warned that unless an international meeting in the first half of next month produced clear proposals to deal with the Vietnamese now in Hong Kong, Thailand and elsewhere, all elements of the comprehensive plan of action, involving rights of first asylum and resettlement, might not remain in place.

Meanwhile, in a speech to the European Institute yesterday, Mr Maude underlined the importance of the current Uruguay Round trade talks. He said next month's summit of the Group of Seven leaders "must give a strong political shove towards a settlement."

House starts fall 1.4%

Construction of new homes dropped for the fourth consecutive month in May to the lowest levels since 1983, the Commerce Department said yesterday. Reuters reports from Washington.

The 1.4 per cent decline last month followed drops of 6.4 per cent in April and 12.2 per cent in March.

Handwritten signature: JPD, 1990

**Today representatives from more than
one hundred countries are meeting in London
to discuss the protection of the ozone layer.**

**ICI supports
firm worldwide action.
We want to phase out
CFCs completely, and
as quickly as possible.**

To achieve this we must find alternative products.

**For we all still rely on CFCs for many of life's essentials,
such as the refrigeration of food and of blood for transfusions.**

That is why ICI has devoted the skills of many of our best scientists and technologists to the search for alternatives to CFCs. And we're getting results. ICI is now a world leader in this field.

Our 'KLEA' 134a, for example, will replace CFCs in many types of refrigeration. It will be available next year and 'KLEA' will be totally ozone benign.

Replacing CFCs will also reduce the threat of global warming. CFCs contribute 14% to the greenhouse effect. These new alternative products will contribute less than 1%.

Anyone can talk about problems.

At ICI, we discover solutions.



Advocates of Japanese trade surplus 'condemned'

By Robert Thomson in Tokyo

MR TARO Nakayama, Japan's Foreign Minister, yesterday condemned Japanese officials who have recently argued that the country should maintain a strong current account surplus for the sake of the international economy.

Mr Nakayama said that statements in favour of maintaining the surplus at about 2 per cent of GNP had hurt relations with the US and compromised the preparation of a final report in the Structural Impediments Initiative (SII) bilateral trade talks.

The case for the positive influence of Japan's current account surplus, particularly in funding eastern Europe's development, has been argued by senior Finance Ministry and Economic Planning Agency officials in recent weeks.

Mr James Baker, the US Secretary of State, raised the issue at a meeting with Mr Nakayama in San Francisco last Friday, and insisted that countries with current account



Taro Nakayama

deficits have been active in providing financial assistance to developing countries. Japanese officials have argued internally over the

issue, with the Foreign Ministry and Ministry of International Trade and Industry (MITI) calling for a retraction by Finance Ministry officials.

Meanwhile, Japan's Fair Trade Commission said yesterday that a proposal to scrutinise the meetings of the country's corporate families or *keiretsu* is under discussion as a possible concession for the SII final report, due to be completed in coming weeks.

US trade officials have argued that the *keiretsu* are a structural impediment to trade, and have wanted the minutes of their monthly meetings made public. The *keiretsu* are accused of excluding components from outside manufacturers and of generally manipulating markets.

In another SII-related development yesterday, the Finance Ministry and the National Tax Agency indicated that they would introduce a year earlier a new law enabling large retail stores to sell alcohol.

Study urges review of land tax

By Stefan Wagstyl

JAPAN should undertake a comprehensive review of land tax policy, including a study of raising taxes on land owners, according to a report published yesterday by the Government's National Land Agency.

The report urged the government to act quickly to prevent further increases in land prices, particularly in rural areas where price increases have so far lagged behind the cities.

However, the study, the

National Land Agency's first white paper, drew immediate fire from critics who said it had failed to make any firm proposals.

Nihon Keizai Shimbun, the business daily, said the white paper was vague and lacked focus. Its conspicuous feature was the amount of detailed information it contained, said the newspaper.

The study said that in the 35 years to the end of the financial year in March 1990, Japan

land prices had risen 128 times, compared with a five-fold increase in consumer prices and a 21-fold rise in wages.

Land prices were driven up by the desire of companies and individuals to buy property in the big cities, especially Tokyo and Osaka. Supplies were constrained because land was attractive as an investment asset because there were no effective taxes on capital gains from land.

France may cancel more African debt

By George Graham in Paris

FRANCE is coming under mounting pressure from its African partners to make a significant effort to cancel the debt of middle income African countries at the Franco-African summit meeting which opens today in La Baule, in western France.

After cancelling the debt of 35 low income countries at the last summit, in Casablanca two years ago, France is now edging towards making a similar gesture to middle income countries such as Ivory Coast or Cameroon.

President François Mitterrand said last week that he planned to continue on the path of debt cancellation. The French president is, however, caught between domestic budgetary caution, on the one hand, and the need to co-ordinate his actions with other industrialised countries, on the other.

The four middle income African countries - Ivory Coast, Cameroon, Gabon and Congo - had between them total external debt of \$24.5bn (£14.4bn) at the end of 1987, with a considerable portion of it owed to France. The cancellation of low income country debt already covered FF277bn (£2.8bn) of debts.

France's total state exposure to developing countries, including export credits, state budget aid and grants from the central aid organisation, is estimated at FF340bn, and around half of this is currently estimated to be in default.

At the same time, France has to ensure a certain amount of co-ordination with its partners in the G7 economic summit meeting in Houston next month.

India warms toward the foreign investor

By K.K. Sharma in New Delhi

MR V.P. Singh, India's Prime Minister, said yesterday that he would prefer foreign equity investment to borrowing abroad to avoid adding to the country's foreign debt.

His comments, to the National Development Council, the country's supreme economic decision making body, herald a further liberalisation of the policy to attract foreign equity participation.

India's foreign investment policy has been liberalised recently but it still restricts foreign equity investment to minority stakes in Indian ventures.

Mr Singh welcomed investment that would enable India to improve its foreign exchange earning capacity.

He referred to the 38 per cent

equity share of Suzuki Motors of Japan in the government-owned Maruti Udyog, the country's largest car maker. Suzuki has agreed to let Maruti explore the European small car market and thus enabled it to earn much-needed foreign exchange.

Mr Singh cited this as an example of the kind of foreign investment India would welcome and said he would commend this to representatives of other countries recommending use of foreign capital for development.

Mr Singh also agreed to consider allowing the rupee to float freely in the international currency markets.

The rupee is on a "controlled float" linked to the currencies of its major trading partners.

Kashmir militants kill four policemen in hotel attacks

KASHMIRI militants staged a grenade and rocket attack on two lakeside hotels housing Indian security forces yesterday, killing four policemen and wounding six, Reuters reports from Srinagar.

A group calling itself the Muslim Jambaz Force claimed responsibility for the attack on the hotels overlooking Dal Lake in Srinagar, Kashmir's capital.

In general terms the lake and its houseboats are the centre of the scenic region's lucrative tourist industry.

The two lakeside hotels, 150 metres apart, came under fire simultaneously. Police believe one group of militants fired rockets from one of several islands dotting the lake while

another group in a boat launched grenades at the hotels.

A policeman at the scene said the surprise attack was the first time Muslim militants seeking secession from India had used rockets against security forces. Police believe the attack was in retaliation for Monday's killing by security forces of Muhammad Abdullah Banoor, a field commander of the Jambaz Force.

About 4,000 people defying a 24-hour curfew gathered in the old quarter of Srinagar yesterday to take Banoor's body for burial but riot troops and police broke up the crowd with canes.

INTERNATIONAL NEWS

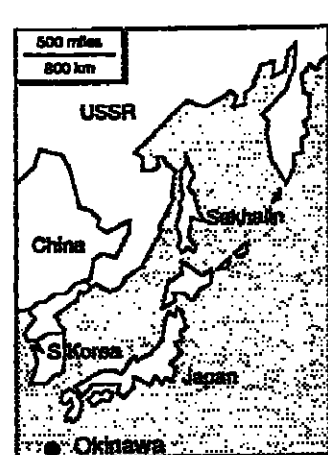
Okinawa unimpressed by US return of land

By Ian Rodger in Naha, Okinawa

A PLAN announced yesterday by the US military to return about 850 of the 25,000 hectares of land it holds in this strategically vital island at the southern end of the Japanese archipelago was immediately dismissed by increasingly impatient local leaders as insufficient.

"It is welcome, but it is not enough," Mr Chisho Yohena, assistant director of the Okinawa governor's office, said yesterday. "We think there is still a lot more land they could give back without weakening their overall power," he said.

The rise of local opposition to US military bases here has created a delicate problem for the US and Japanese Governments. Both are committed to maintaining a strong US security presence in the Far East.



Okinawa is a uniquely effective location to project US power throughout the region. More than 50,000 Americans are stationed here, operating

huge army, navy, air force and marine installations. However, Okinawans, who lived under US military rule for 27 years after the end of the Second World War, have grown weary of having 20 per cent of the land on their crowded subtropical island occupied by US forces.

Formerly poor and largely dependent on the bases for their income, they have become prosperous in recent years on a boom in tourism from other parts of Japan and exports of fresh produce.

The US bases now provide less than 10 per cent of the prefecture's annual income, according to Mr Hirotsuka Makino, research director of the Bank of the Ryukyus, a leading Okinawan bank.

Okinawan leaders complain

that about three quarters of US bases in Japan are concentrated in Okinawa and that the inevitable training exercises carried out on the cramped island are a constant danger to residents.

A survey of Okinawa residents conducted by the prime minister's office last month found that 60 per cent wanted to be rid of the bases and half of them said it was because they were dangerous.

The US has always been reluctant to give up land in Okinawa. Some plots it agreed to return in 1973 have still not been passed over. Now, when it faces an uphill struggle to renew leases for its bases in the Philippines, it is even more inclined to hold on to what it has in Okinawa, despite planned spending and person-

nel cuts here. The announcement of the proposed land return came only four days before the annual memorial service commemorating the end of the battle of Okinawa in 1945, and was widely interpreted here as a sort of gift from Prime Minister Toshiki Kaifu, who plans to attend the service. More such gifts are expected later in the year when an incumbent conservative governor will face strong pressure from a popular reformist challenger in a prefectural election.

Whatever the outcome, there will be little comfort for the US and Japanese governments. Both candidates are demanding that the US give up more land. They differ only in the severity of tactics they would use to achieve their ends.

China says only 355 detained in Peking jails

By Peter Ellingsen in Peking

A YEAR after the Peking massacre and ensuing crackdown, 355 "law-breakers" are still being held in the capital, a spokesman for the standing committee of China's Parliament, the National People's Congress (NPC) said.

On the eve of the 14th meeting of the NPC's standing committee, Zhang Fusheng revealed the official "detention" figure for the capital, but gave no details of numbers held elsewhere. The figure is much lower than estimates of observers, including Amnesty International, who put the number of political prisoners in the thousands.

Zhang said yesterday 880 "offenders" involved in last year's turmoil had been released.

There was no word on songwriter, Hou Dejian, and two others believed to be in detention following attempts earlier this month to mark the anniversary of the June 4 massacre by calling on authorities to free political prisoners.

Hou, who sheltered in the Australian Embassy after troops invaded Peking last year, disappeared with two friends, economist, Zou Duo, and university editor, Gao Xin, just as they were about to hold a media conference attacking the government for holding fellow dissident, intellectual Lin Xiaobo.

Lin, a lecturer at Beijing Normal University, has been held for a year without trial.

Another intellectual, Zhao Fusan, a vice-president of the Chinese Academy of Social Sciences, has been sacked as a Shanghai deputy to the NPC. Zhao, a leading Christian scholar, also lost his academic post, which carried a vice ministerial ranking. He left China in May last year to attend a UNESCO meeting and is alleged to have made statements "attacking the Chinese Communist Party" while abroad.

The NPC standing committee, which begins meeting tomorrow, will consider draft laws to prevent desecration of the national flag.

The claim that fewer than 400 people remain in jail as a result of the anti-government protests last year, comes as senior leaders, including party chief, Jiang Zemin, and patriarch, Deng Xiaoping, have renewed a propaganda offensive. Jiang has attempted to play down the harshness of the regime in a letter to Chinese students in the US, and Deng, the paramount leader, has warned that any upset to communist rule will destabilise Hong Kong.

Tight money and lax law in Taiwan

Credit squeeze and crime blamed for slowdown, writes Peter Wickenden

YELLOW is nobody's favourite colour in Taiwan's Council for Economic Planning and Development. A light of that hue is shining on the economic forecast for the first time since 1986, signifying a slowdown.

In January the Government was forecasting 7 per cent growth in gross national product for the year, expecting the economy to be supported by surging domestic demand as export growth levelled off. Annualised GNP growth in the first quarter was a healthy 7.6 per cent, but recent news on all fronts has been dismal.

Main economic indicators are down, demand has dried up, industrial output and exports are down sharply and inflation is rising. Most analysts now see 6 per cent or less as a realistic figure, and some are talking of recession next year if things do not improve in the next three months. Almost all of them blame the Government for its over-tight monetary policy and its failure to get to grips with law and order.

The squeeze on credit and a serious deterioration in social order have made life hard for the small businesses that make up 90 per cent of Taiwan's manufacturing sector. Unable to obtain funds and faced with violent crime, extortion threats, anti-pollution protests, a labour shortage and rising wages, hundreds of labour-intensive companies have upped and moved abroad.

Government-approved outward investment so far this year is up 488 per cent at \$456m, while the actual total is reckoned to be up to 10 times that. The capital outflow has knocked at least \$80n off Taiwan's mountain of foreign exchange, although, at \$80n, it remains the world's largest. Together with the tight credit policy aimed at curbing inflation, this has brought negative money supply growth for three consecutive months, in turn slashing the excess liquidity on which the Taiwan stock market has hitherto thrived.

The stock market has gone through the floor, wiping billions of dollars off the personal wealth of 4m investors. From a February high of 12,000, it closed yesterday at 5892.58, down 51 per cent.

Mr Li Kao-chao, director of economic research at the CEPP, says that stock trading profits have supported more than half domestic demand. As tens of thousands of full-time gamblers go back to regular jobs, sales of large imported cars and luxuries have plummeted. Imports fell by 7.2 per cent year-on-year in May to \$4.78bn.

The real estate market began to cool off last spring, but prices are only now beginning to fall significantly as stock market players and underground investment houses try to recoup some of their losses. While that is bad news for Taiwan's vast army of speculators, the government hopes it may provide the impetus for an economic recovery in the latter half of the year - government spending on infrastructure projects that was supposed to boost domestic demand this year has been stalled by an inability to acquire land.

A critical shortage of affordable industrial land has also stymied many investment projects in the private sector and has been a big factor in the decision to move offshore. Mr Y.C. Wang, chairman of Formosa Plastics, Taiwan's largest industrial conglomerate, cited it as a reason for wanting to build a \$70n naphtha cracking plant in China.

His disenchantment with the investment climate in Taiwan generally has proved infectious. Government officials fear that if he invests in China, hundreds of other Taiwanese petrochemicals and plastics companies will follow, weakening the very backbone of Taiwan's industrial structure before it has had time to upgrade sufficiently.

It is the low-quality, labour intensive goods that are hit hardest when exports drop, as they did by a massive 10.2 per cent year-on-year in May to \$5.64bn. Last year Taiwan benefited somewhat from labour

unrest in South Korea, but this year the orders are going to Thailand, China and other low-cost countries. In May Taiwan's trade surplus saw its first double-digit percentage monthly drop since the 1973 oil crisis.

Although industry has gained from massive tariff cuts and commodity price falls, there have been no gains in the past year, wages and rent have shot up and priced cheap Taiwanese goods out of the market. The depreciation of the Japanese yen, meanwhile, has also hit exports of higher quality Taiwanese goods. Exports are not expected to improve much over the rest of the year.

Rent is still increasing, and this is the main reason why wholesale prices are going down but retail prices up. The retail price index rose an annual 3.73 per cent in May, its largest rise in 18 months.

The central bank's vice-grip on credit has kept inflation down to 3.43 per cent from January to May, however, and many analysts think it has gone too far.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Tight credit is set to continue, but Mr Li of the CEPP says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession.

He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and development private industry.

Yemen to harness northern enterprise and southern discipline

The merger of two poor countries could, with the right policies, result in one not-as-poor country, writes Victor Mallet

TWO poor countries have become one poor country with the merger last month of the two Yemens. Official statistics suggest that the finances of Arabia's new united republic are in a sorry condition.

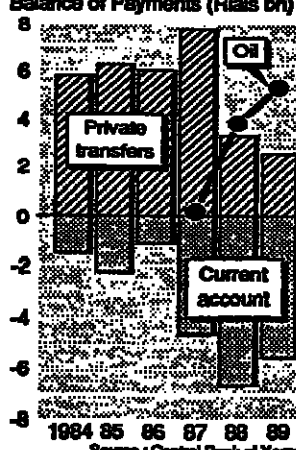
Remittances from Yemenis working abroad have fallen sharply over the years, gaping trade deficits have become routine and total foreign debt has risen to an estimated \$6bn. Modest exports of crude oil - which created what one banker calls an appetite for "Toyotas and jam" - are not enough to rescue the economy.

Yet Yemen hums with a level of commercial activity which casts doubt on its ranking as one of the world's poorest nations, with a supposed annual income per head of only \$600 for the former North Yemen, the more populous half of the state. Business is as brisk for the smugglers on the border with Saudi Arabia as it is for the black market money changers and sellers of fruit and fried locusts in the old Sanaa souk.

By mid-afternoon most

N.Yemen

Balance of Payments (Rials bn)



Source: Central Bank of Yemen

Yemeni men's cheeks are bulging with *qat*, the mildly narcotic leaf which costs them between 50 (\$2.50) and 100 rials a day; a wealthy businessman could spend up to 1,000 rials on quality *qat* for his guests and himself to chew.

Neither the internal *qat* trade nor the activities of the

tribesmen who smuggle goods across the sands of the Empty Quarter from Saudi Arabia are included in Yemeni statistics, but together they account for a large share of national product and ensure wealth is spread from the cities to remote corners of the countryside.

Yemen has the sort of dual economy more characteristic of Africa than of its Arab neighbours; alongside the over-controlled official economy runs a healthy unofficial system which functions in spite of the government rather than with its help.

It will be the task of General Ali Abdullah Saleh, the Yemeni President, to harness the entrepreneurial energies of the merchant families of Taiz and Sanaa and to exploit the relatively skilled and disciplined bureaucrats of South Yemen's former communist government who enjoy more respect than their ineffective northern counterparts.

"There have been no import licences for cars, televisions and so on for a long time, but they are all available," says Mr Jamal Mohammed al-Mutairieb of the Sanaa Chamber of Commerce and Industry. "The only way to stop smuggling is to make a reasonable balance of market forces." A further devaluation of the rial seems inevitable.

President Saleh, although apparently as skilled as the old Yemeni imams at the brinkmanship of inter-tribal diplomacy, will not find it easy to bring the tribesmen into the formal economy, however liberalised it becomes. In recent weeks the northern tribes, rightly concerned that unity will mean more official determination and more military resources to curb their independence, have stepped up disturbances in the Marib oil-producing area.

In Sanaa, businessmen want the unwieldy 40-member cabinet (nearly 200 in the southern provinces) all had to be accommodated to act quickly against corruption and to promote exports and investment. "Until now nothing serious has been done to evaluate the economic capabilities of Yemen. We need a master study," says Mr al-

Mutairieb. Yemen has few comparative advantages over its regional rivals apart from surplus labour, and it remains to be seen if the planned free port at Aden - the old southern capital and supposed commercial centre of the united state - will be as successful as Yemenis imagine.

The development of agricultural exports such as fruit and coffee - the word Mocha comes from the name of a Yemeni town - is another possibility, but the over-exploitation of underground water and the deterioration of traditional hillside terraces is already causing concern. Oil and gas are useful foreign exchange earners and more may be discovered, but production from current reserves can continue for only a few years.

At least the merchants and industrialists of the north, including those driven out of South Yemen after the 1987 revolution, are delighted at the prospect of a larger market now that the south is freely accessible. Modern factory equipment was installed in the

north as part of an import substitution programme, but the industrialisation drive was poorly planned and many plants, short of imports, operate well below capacity. The northern government recently decided to grant import licences without allocating the necessary dollars, thus allowing companies to find the foreign exchange on the black market.

The Yemen Company for Trade and Industry, a family-controlled aerosol-filling business established five years ago, found itself short of inputs soon after it started, and was lucky if it was able to achieve 50 per cent of its annual capacity of 8m cans of insecticides and other sprays.

The existence of two rival aerosol companies in the north was an additional burden. In the south there were no such factories, but the market was theoretically closed. "South Yemen decided to buy from outside through tenders," says Mr Ali al-Mughahed, the managing director, thoughtfully chewing *qat*. "There were some of our products on the market there

people. Census workers have to overcome the fears of illegal immigrants to cities and those who breached the one-child-per-family rules and have "black" children.

One obstacle to economic progress will be the undeveloped state of the banking system, which is ill-equipped to mobilise savings for productive investment. Yemen's foreign debt, on the other hand, is not as daunting as it appears, since much of it was borrowed at low rates of interest from the Soviet Union and may never be repaid in full.

The process of integrating north and south, despite the differences between the secular administrative traditions of the south and the Moslem, free-market system of the north, will probably not be as difficult as some expect. Inter-marriage is widespread, and the new government is already planning to redraw provincial boundaries to obscure the old border.

It will nevertheless require hard economic decisions as well as unity dances with drums and daggers to ensure that Yemen is a confident and genuinely united country when its people vote in 1992 in the first national elections.

Taipei 'ban' on China investment

By Peter Wickenden in Taipei

TAIWAN'S Premier Hau Putsan said yesterday his government would refuse permission for Formosa Plastics, the country's biggest industrial conglomerate, to invest \$7bn in a petrochemicals complex in China.

Mr Y.C. Wang, chairman of Formosa, is in China conducting the detailed negotiations on the proposed investment.

Just in time

SHE RARELY ANSWERS A SERVICE CALL.
BECAUSE HE RARELY HAS TO MAKE ONE.



Observation.

A skill all Delta Air Lines Flight Attendants are trained in.

They can often see when you want that extra pillow. Or maybe some more coffee.

It's all part of the training every Delta Flight Attendant goes through. And every Delta employee knows they're an important part of the team by the end of their training.

It's not just our passengers who appreciate the Delta philosophy.

Over 19,000 people have worked for Delta for more than 10 years and over 11,300 people have been with us for over 20 years.

The result of this is reflected in our splendid service record. We've been first in passenger satisfaction among major US airlines for the past 15 years.

Our attention to service extends beyond our in-flight staff.

Fly Delta from London, Paris, Shannon, Dublin, Frankfurt, Munich, Hamburg, Stuttgart and beginning this summer Amsterdam, to 4 US gateways (Atlanta, Cincinnati, Dallas/Fort Worth and Orlando). Once you're through the convenient immigration and customs, you'll be greeted by Delta Passenger Service Agents. They'll help you with directions and connections to over 230 US cities.

At this point, we must admit you do have to press a few buttons to get Delta service. See your Travel Agent or call Delta for details of direct flights available from Europe to US destinations.



CINCINNATI

DALLAS/FORT WORTH

ATLANTA

ORLANDO

EUROPE

*Based on consumer complaint statistics compiled by the US Department of Transportation. ©1990 Delta Air Lines, Inc.

IN LONDON ON 0800 414 767; IN DUBLIN 794744. OUTSIDE DUBLIN, ASK FOR FREEPHONE DELTA; IN PARIS (01) 47 68 92 92; IN LYON 78 38 17 59; IN MARSEILLE 91 56 61 08; IN NICE 93 82 24 03; IN TOULOUSE 61 21 13 26; IN BERLIN (030) 882 4881; IN FRANKFURT (069) 668041; IN MUNICH (089) 1299061; IN STUTTGART (0711) 294144; IN ALL OTHER GERMAN CITIES (0130) 2526; IN AMSTERDAM (020) 6010099; IN BRUSSELS (02) 2171717; IN VIENNA (0222) 484 295; IN MILAN (02) 204 1296; IN ROME (06) 4814445. IN LISBON (01) 527845; IN MADRID (91) 248 8130; IN STOCKHOLM (08) 796 9600/9400; IN GENEVA (022) 731 75 10; IN ZURICH (04) 816 4245; IN BOMBAY (022) 244 068; IN KARACHI (051) 510 416.

UK NEWS

Ministers deny rift over extent of military review

Stocks fall on news of defence cuts

By Paul Abrahams, Terry Byland and John Mason

DEFENCE stocks fell heavily yesterday in busy trading on the London stock-market after Monday's announcement by the Government that it was cutting defence spending by £500m. The cuts are the precursor of a wide-ranging review of defence expenditure currently being carried out by the Government.

The extent of the review is still unclear, as is the likely weight of the cuts on the three services.

Mr Alan Clark, the Defence Procurement Minister, yesterday tried to play down reported differences between him and Mr Tom King, the Defence Secretary, over the

"options for change" defence review by insisting there would be no "precipitate" reductions in force levels.

Mr Clark, who has drawn up a paper suggesting possible cuts thought to be more sweeping than those favoured by Mr King, said any reductions would have to be carefully phased in. It would be some time before their impact was felt, he told MPs.

Nevertheless, City securities analysts said the market had been taken aback by the announcement on Monday. While analysts had expected such cuts the stockmarket had not fully discounted the implications for individual compa-

nies. British Aerospace shares dropped sharply, falling 20p to 540p, before recovering to 546p. Strauss Turnbull, the UK securities arm of Société Générale, said it was "very worried" by the potential effects on share ratings of British Aerospace in the wake of the cuts in defence spending. The shares were particularly vulnerable to Monday's announcement because it included the cancellation of 33 Tornado aircraft which would have been built by British Aerospace in co-operation with West Germany and Italy.

Smiths Industries also fell heavily from 266p to 251p. The company is heavily exposed in the US defence market, where cuts expected to be particularly heavy.

Other defence-related stocks that fell included Rolls-Royce, down 5p at 217p and Dowty, whose shares were down 8p at 236p.

One stock that bucked the market trend was Westland, the helicopter manufacturer, whose shares rose by 6p to 113p, as the company has no significant orders at present and so is invulnerable to any cuts. The helicopter company could benefit from a change in British Army doctrine to a more mobile and flexible form of warfare.

Tornado fades on a wind of peace

David White on the first taste of cuts for the UK defence industry

The British arms industry has received its first taste of cuts to come. The Ministry of Defence's decision to cut short its purchases of Tornado strike and fighter aircraft in order to make its sums add up this year has sounded like a warning shot across the bows of the industry and the 325,000 people in Britain whose jobs depend directly or indirectly on supplies of military equipment.

The decision comes in the final stages of the Tornado project but poses a crucial capacity management problem for British Aerospace at its Warton factory in Lancashire, northern England. The company, main UK partner in the project along with Messerschmitt-Bölkow-Blohm of West Germany and Aeritalia, had hoped that declining Tornado work would dovetail with production of the planned four-nation European Fighter Aircraft (EFA).

"One thing is certain now. It certainly won't follow straight on," said one worried executive at Warton. The Tornado first flew in 1974, with the first British series production model appearing five years later. A total of 810 have already been delivered. These include 344 for the RAF, 210 ground-attack aircraft and 184 air-defence variants. Another 119 in all are on

order, from the first seven production "batches."

BAE supplies the front and rear fuselage and sends the UK Ministry of Defence the bill for final assembly of RAF aircraft. It is also responsible for supplying the Tornado's only current overseas client, Saudi Arabia.

What have been cancelled are 33, mostly ground-attack Tornadoes for the RAF to use as reserve aircraft, costing more than £500m. Italy was also due to buy 16 equipped for electronic warfare and reconnaissance, but that also is now in question.

Eight aircraft of the same batch, earmarked for Malaysia, were cancelled last month, just as previous orders from Jordan and Oman were dropped. Saudi Arabia is expected to order 48 more. But there have been difficulties in matching deliveries to the flow of money into that programme.

BAE is due to complete its first set of 72 deliveries to the Saudis next year. Other aircraft still being built will keep the Tornado production line in action only into 1992 - although BAE is counting on updating work after that.

The cut has raised expectations in the company that money will be found to press ahead with production of EFA, now in development. But a

decision on that is not due until early in 1992.

Senior BAE managers said the damage in turnover terms would be no more than 1-1.5 per cent of the military aircraft division's £2.7bn sales, but recognised that it could lead to job losses. Warton, with its nearby sister factories at Preston and Samlesbury, employ about 14,500. The company is expected now to study job transfers or a redistribution of work within the group.

Warton also produces the Hawk series of trainer and light fighter aircraft, which has benefited where the Tornado has lost in export markets. Malaysia and Oman are both due to take Hawks instead of Tornados, and BAE has clinched a deal with South Korea believed to involve 20 off-the-shelf aircraft and up to 120 more assembled locally.

But this neither resolves the production-line problem nor fully compensates for the Malaysian setback. The Malaysian order, which would have included a further four Tornado options, was seen as leading the way to other Asian orders to keep the programme going steadily through the 1990s.

This week's bad news coincided with the ending of 560 jobs at GEC Ferranti in Edinburgh, the lead company for the EFA radar, after a confidential US

Air Force laser project it was working on fell through. It had been hoped this would open up further US business.

However, the Government provided a measure of confidence in one of the shakiest of Britain's current armament projects, the Anglo-Italian EH101 naval and utility helicopter, and in a new helicopter engine developed by Rolls-Royce and the French company Turbomeca. After earlier leaving some doubt as to whether it would require such powerful engines for the EH101 it confirmed the choice of the new RTM322 in preference to the General Electric engine chosen by the Italians. The EH101 is meanwhile in progress with the selection of a prime contractor to manage the EH101 programme, incorporating all its electronic equipment and the new engines. Westland is putting forward two bids, one in combination with the IBM computer group, the other through EH Industries, its joint venture with Agusta of Italy, against a bid from EADS General Electric Company.

However, from UK orders for the helicopter are still not expected before next year. Until then Westland, whose future provoked a Cabinet crisis in 1986, will still be crossing the desert.

Swords turn to ploughshares in the City

By Paul Abrahams

THE ECHOES of swords being turned into ploughshares could be heard in the City yesterday as most defence-related stocks fell heavily following the Government's announcement on Monday of a £500m cut in the defence budget.

However, analysts were anxious to differentiate between the companies, pointing out that the effect of any future defence cuts would fall unevenly.

"There are few pure defence stocks left," explained Mr Piers Whitehead, an analyst at Robert Fleming Securities. "We're talking about degrees of exposure."

Those most exposed fell furthest yesterday. GEC shares experienced some of the heaviest trading in the sector, falling by 11p at one point before settling to 206p, down 9p on the day. About 25 per cent of the company's overall turnover

is defence-related, according to analysts.

GEC is trying to reduce its dependence on defence activities. Five years ago only 5 per cent of the turnover of GEC Electronics Systems, the division most exposed to potential defence cuts, was not defence-related.

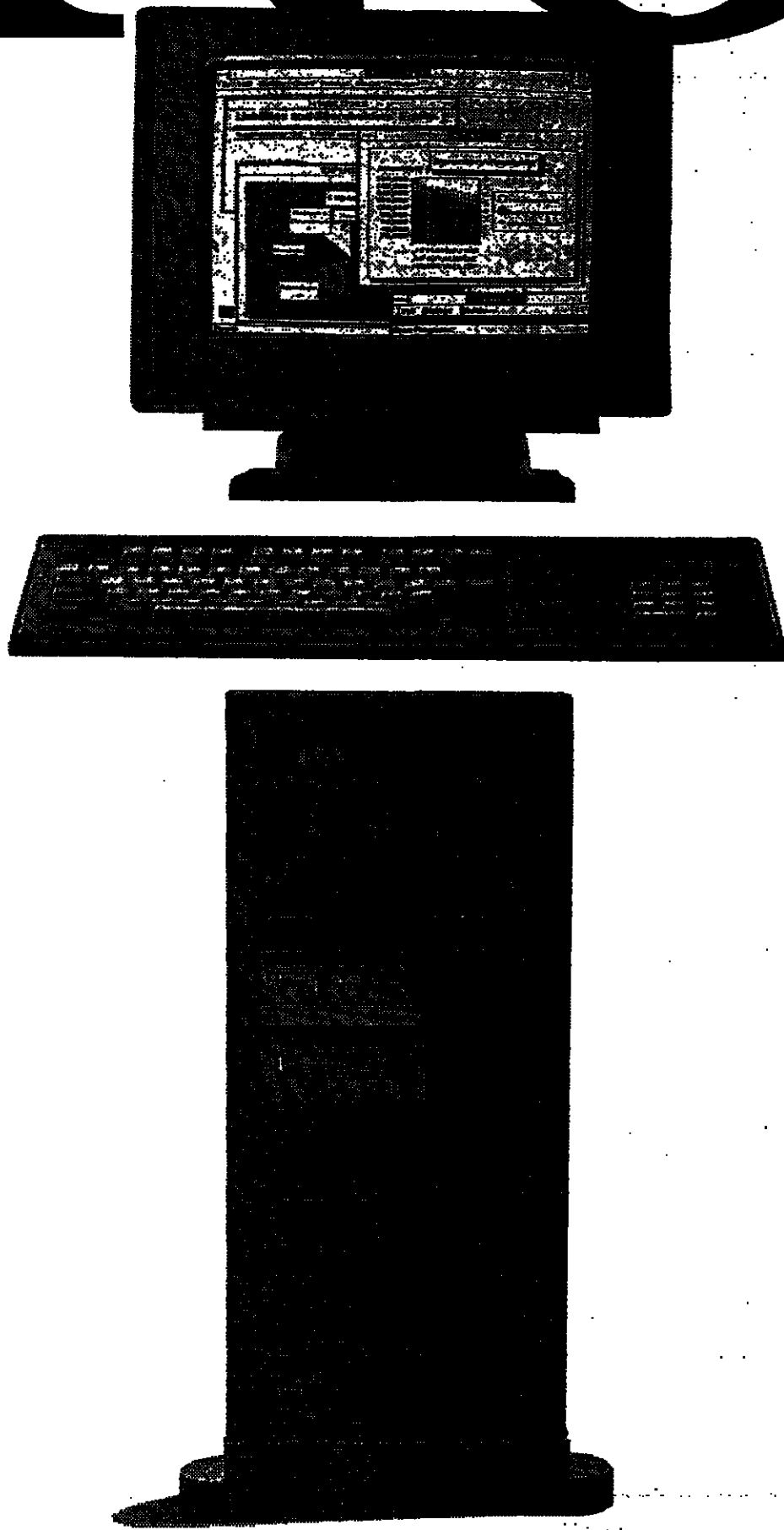
Analysts were also looking at exposure in different markets, particularly in the US where cuts are likely to be

heaviest. On Monday GEC Ferranti Defence Systems announced it was to shed up to 550 jobs in Edinburgh as a result of the loss of a contract involving the US Air Force.

Other companies likely to be affected by a downturn in the US market include Smiths Industries, Rolls-Royce and British Aerospace. At one point, shares in Rolls-Royce were down 8p at 217p in heavy trading.

Olivetti CP486

NOW.



The first Computing Platform.
Simple as a PC.
Powerful as a mini.
Universal as a standard.

Olivetti's new CP486 combines the power of a mini-computer with the simplicity of a PC.

The CP486 provides the link between existing mini-computers and PC networks, merging these 'worlds'.

As a mini-computer, the CP486 can provide computing power for up to 50 users. It can also give you the speed that will run the most complex software faster than any PC has ever run before.

It can also power networks at a lower cost per terminal than most other computers.

Olivetti Systems & Networks customers are supported by their own 'Systems Partners'. This means that whatever your business, you'll have a 'partner' that understands your needs.

They'll help you develop an 'open' system so that the CP486 can integrate with, or replace your existing equipment.

If you've been waiting for the right solution to your computer problems, the CP486 is available right NOW.

Call Justine Holland on 081-785-6666 or send this coupon to her at: Olivetti Systems and Networks, 86-88 Upper Richmond Road, Putney, London SW15 2UR.

Name	_____
Position	_____
Company	_____
Address	_____
Postcode	_____
Telephone	_____

Our force is your energy

olivetti

All trademarks acknowledged

GUINNESS TRIAL

Anger in court as Saunders accused of lying over takeover

By Raymond Hughes, Law Courts Correspondent

MR ERNEST Saunders yesterday reacted angrily when barristers for two of his co-defendants accused him of being a liar.

The former Guinness chairman and chief executive told Mr Michael Sherrard, QC, for Mr Gerald Ronson, chairman of the Heron group: "I am determined to clear my name and you can do so by the simplest and most direct means and call me what you like."

Under cross-examination by Mr Colin Nicholls, QC, for City stockbroker Mr Anthony Parnes, Mr Saunders said: "Do you think I would have spent the last three-and-a-half years of hell... if I had not felt passionately that what I am telling is the truth? I am going to vindicate myself and nothing you can say is going to change that."

Mr Saunders, Mr Ronson, Mr Parnes and Sir Jack Lyons deny charges arising from an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover battle for Distillers.

Mr Sherrard had suggested that Mr Saunders' version of discussions between him and Mr Ronson had been "pure invention."

Mr Saunders replied that "my version is what I know is the truth and your group is the one that is not telling the truth."

"In common with so many others," asked Mr Sherrard.

"In common with so many others," said Mr Saunders. He told Mr Sherrard: "You can smirk about it, be cynical about it, laugh about it, but you have not had to suffer what I have had to suffer. You have not had to have your family go through what my family has had to go through as a result of this campaign against me."

Mr Sherrard: "I do not lie. I do not smirk. I do not need to be cynical. I suggest you really have yourself to blame for all of your predicament because you told unnecessary lies and you are stuck with them. It's no laughing matter. It is a very great personal tragedy for all concerned."

Mr Saunders replied that

"your suggestions of lies coming from me are completely untrue and just a smear."

Earlier he had told Mr Sherrard: "I will not sit here and go on having you suggest to me I am lying and your client is all wonderful."

Mr Saunders said that according to Mr Saunders, Mr Parnes had "joined the club of those who have deliberately lied against you."

Mr Saunders said that Mr Nicholls' suggestion "that I should now make some form of deathbed confession is laughable."

Mr Robert Harman, QC, for Sir Jack Lyons, the millionaire financier, said he would try to lower the temperature. "You would not doubt agree that for men to appear in a public courtroom in order to brand each other as liars is unpleasant for the participants and unattractive for those who have to sit and watch."

"Absolutely," agreed Mr Saunders. Mr Saunders said he had been angered by a letter written by Mr Ronson to Sir Norman Macfarlane, then Guinness chairman, in January 1987. Mr Ronson had returned £5.8m Heron had been paid by Guinness and explained how he had become involved in supporting Guinness.

That letter, Mr Saunders said, had resulted from a strategy to implicate him in something with which he had had nothing to do.

The trial continues today.

NEWS INTERNATIONAL PLC

USDOL 100,000,000 8 1/4 %

Bonds Due 1991

Guaranteed Floating Rate

Notes due 1991

In accordance with the provisions of the notes, notice is hereby given that for the interest period June 20, 1990 to September 20, 1990 the notes will carry an interest rate of 8 1/4 % per annum.

Interest payable on the relevant interest payment date September 20, 1990 will amount to USD 216.22 per USD 10,000 note.

Agent Bank: Societe Paribas Luxembourg

SMOKED DAMAGED QUALITY OFFICE FURNITURE FOR SALE

In Office Limited, as a favour to one of our corporate clients purchased half a million pounds worth of smoke damaged stock which has now been completely restored to its original condition. If you are in the market for quality office furniture at clearance prices, please contact In Office Limited, for further details. Also available from our Scottish Sales Office, Contact: Jonathan Burrows.

In Office Limited, 15 Bell Lane, London W14 8PP.

TEL: 081 233 4000 FAX: 081 233 5701

RHONE-POULENC S.A.

USD 300,000,000

UNDATED FLOATING RATE CAPITAL NOTES

For the period June 15, 1990 to December 15, 1990 the rate has been fixed at 8.575% PA.

Next payment date: December 15, 1990

Coupon 1st: 8

Amount: USD 451.15 for the denomination of USD 100,000

USD 451.15 for the denomination of USD 100,000

The Principal Paying Agent

SOCIETE GENERALE

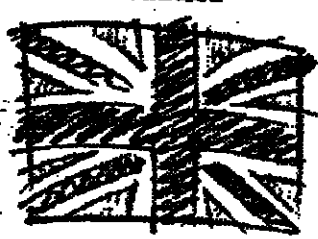
ALSACIENNE DE BANQUE

15, avenue Emile Reuter

LUXEMBOURG

UK NEWS

BRITAIN IN BRIEF



Advisers for Poland selected

The British Government has selected four groups of British financial advisers to assist Poland with the privatisation of its state-owned companies. The four advisory groups, whose fees will be paid by the British government out of its recently created £50m Polish Know-How Fund, were selected out of a shortlist of nine applicants by the Overseas Development Administration and Ms Kate Mortimer, a private consultant. Three of the successful groups are led by merchant banks, Barclays de Zoete Wedd, Rothschilds and Schroders, while the fourth is led by the accountancy firm Ernst & Young.

The four British groups are the first privatisation advisers to be appointed by the Polish government. Their initial task will be to choose the best candidates for immediate privatisation out of a preliminary list of companies compiled by the Polish government. But this work cannot begin until the Polish parliament passes a privatisation law. This is expected to happen next month, but the whole issue is still dogged by intense controversy and there was some embarrassment in London that the appointment of the four British advisers had leaked out.

Scotland buys into Greece

Bank of Scotland is taking its first step into banking in continental Europe by buying a 30 per cent stake in a newly formed bank in Greece. The bank, to be called Dorion Bank, will concentrate on corporate and investment banking. Dorion will have an initial capital of £2.2bn (\$3.2bn). It is being set up in conjunction with Mr John Mavrakakis, a well known figure in Greek business circles and chairman of the Maymar Marine Enterprises shipping company, which will own the other 70 per cent. Greek banking, hitherto dominated by state-owned banks, is being de-regulated as EC directives are implemented and Bank of Scotland believes that this will provide good business opportunities.

Rising deficit for universities

Britain's universities are in much worse financial condition than had been forecast earlier this year, the government has been privately told by its own advisers, the

Universities Funding Council. The UFC, which monitors the health of the university system, said that university heads have sharply raised their estimates of the aggregate deficit for the 1990-91 academic year to over £20m. Earlier this year, the UFC told a Parliamentary subcommittee the deficit was likely to be about £13m. The information is contained in a draft of a document submitted for the government's 1990 public expenditure survey in April, which paints a bleak picture of the financial condition of the university system.

BCCI makes 900 redundant

Bank of Credit and Commerce International has made 900 staff redundant in the UK as part of a restructuring plan which includes moving its headquarters to Abu Dhabi and closing nearly half its UK branches. A bank spokesman said the redundancies were evenly divided between the Central Support Organisation and the UK operations. Of the total, 700 were taking voluntary redundancy terms and 200 were fired. The bank expects to move to Abu Dhabi in August.

Conoco buys up N Sea assets

Conoco, the energy subsidiary of Du Pont, the US chemicals group, said it would buy the UK offshore assets of Triton North Sea Operations, part of the US independent oil company, for \$61m.

The acquisition is aimed at increasing Conoco's interests in areas where it is already active. It is currently Britain's 5th largest oil and gas producer and has an active exploration programme. Triton said it was quitting the North Sea because of the long lead time between discoveries and the start of production. A number of companies have in recent years followed the same path to avoid large cash requirements for oilfield development.

Isle of Man delays on SIB

The Isle of Man Parliament adjourned a decision on making ex gratia payments to former depositors of the collapsed Savings and Investment Bank. Members wait general publication of the hitherto secret inspector's report into the bank's collapse before they debate the issue of spending Manx taxpayers' money on payments to depositors. The bank collapsed in the Isle of Man in 1983 with debts of \$42m. It left around 2,500 creditors, many small depositors who lost their life savings.

EBRD chief in London

Mr Jacques Attali, newly appointed first president of the European Bank for Reconstruction and Development (EBRD) slipped quietly into London to discuss plans for setting up the new London-based institution with

senior politicians and bankers. One of the first tasks facing the new president is to choose premises for the new institution which is expected to boost London's status as Europe's leading financial centre.

Commissioner faces charges

The former Mauritius High Commissioner in London and his wife used diplomatic immunity to help them launder the profits of their son's drug trafficking, Southwark Crown Court heard yesterday.

Mr Soo Soobiah, 67, and his 65-year-old wife Muriel, have pleaded not guilty to laundering £87,000 for their son Nigel, who was described in court as "a very successful professional drug trafficker". Mr Anthony Hooper QC, prosecuting, told the court that between 1984 and 1988 Nigel Soobiah had deposited more than £1m in 27 bank accounts worldwide. He was arrested in 1988 and is now in a New York prison after pleading guilty to heroin trafficking.

In February 1988, Mr and Mrs Soobiah were arrested at their home in Camberley, Surrey. The court heard that Mr Soobiah's involvement only came after his son's arrest - but Mrs Soobiah faced a further allegation that she received £30,000 into her own account from her son.

Mr Hooper said it was not being suggested that the defendants were to benefit financially from the arrangement.

The trial continues today.

Call for debate on water

The regulator of the newly-privatised water industry yesterday called for a public debate on alternative methods of charging for water.

Mr Ian Byatt, who became Director General of Water Services last year, plans to produce a consultative paper on charging methods and tariff structures in autumn and then invite comments from water consumers.

"The main question is how we are going to pay for our water and I think it would be highly proper to have a good public debate on this issue before decisions are made," he said yesterday, presenting his first annual report.

The 29 water companies and the 10 newly-privatised water and sewerage companies charge most consumers on the basis of properties' rateable value. That method cannot be used beyond the year 2000.

Coalfields face job losses

The number of miners in Britain's coalfields could be halved to 32,000 by the year 2008 if the electricity industry kept to its plans on fuel supply, a cross-party committee of MPs said yesterday.

A report by the Commons energy committee on Britain's plans to reduce sulphur dioxide emissions noted that National Power and PowerGen planned to meet their emission targets largely by turning to gas and imported coal with a lower sulphur content.

Tighter controls on UK boardrooms urged

By Nikki Taft

TIGHTER CONTROLS on corporate boardrooms are recommended by Britain's insurance companies, some of the most powerful institutional investors in the stock market. They are suggesting that companies divorce the roles of chairman and chief executive unless individuals are carefully monitored; appoint strong non-executive directors; and spell out directors' borrowing powers in the annual report.

The annual report should also contain details of any performance-linked remuneration schemes and share option

incentives enjoyed by directors.

The guidelines are contained in a discussion paper - The role and duties of directors - drawn up by the investment committee of the Association of British Insurers. Most big insurance companies are represented at the ABI, and the investment committee draws its members from the likes of Prudential, Standard Life, Commercial Union, Clerical Medical, and Eagle Star.

Mr Mike Sandland, chairman of the investment committee and head of investments at

Norwich Union, said insurers were being asked increasingly for their views on matters of "corporate governance." The aim, he said, was to state "a pretty united view on our guidance to companies."

Although offices often had strong feelings about these issues, he conceded that there was sometimes "a degree of diffidence" in insisting on certain standards when discussions were on a "one-to-one" basis (between a company and a single shareholder). Formalised guidelines could help institutions argue their ground.

The document will be raised with the Institutional Shareholders Committee - which also includes representatives of the pension funds, unit and investment trust industries, and asset management divisions of the investment banks. The hope is that uniform guidelines can be agreed among all the institutional groupings.

The ABI concedes that the new standards are unlikely to be enforced as stringently as some of its other guidelines - for example, on pre-emptive rights. The emphasis, it said,

would be on seeking implementation of the recommendations "as and when" problems arise. At present, it calculates that over half the companies in the FT-SE 100 Share Index probably comply with the major guidelines. There are some notable exceptions: major companies such as BOC or Bess combine the chairman and chief executive roles.

The role and duties of directors - a discussion paper, Association of British Insurers, Aldermoor House, 10-15 Queen Street, London EC4N 3TT. No price given.

Dutch police warning over IRA terrorists in Europe

By Jimmy Burns and Kieran Cooke

DUTCH police said yesterday they believed many more Irish Republican Army terrorists could still be at large on the European mainland despite the capture of four suspects in the Netherlands and Belgium over the last week.

The latest IRA suspect was captured by Dutch police early yesterday morning in woodland near the village of Chasson on the Dutch-Belgium border.

The move followed the arrest of two widely known Republican sympathisers, Miss Donna

Maguire and Mr Gerard Harte in Belgium on Saturday.

A third male suspect was arrested in Chasson on Monday although there was continuing confusion yesterday over his identity.

According to Belgium police, British intelligence officials had identified the arrested man as a Irishman, Mr Michael Collins. This was denied by Sinn Féin, the IRA's political wing.

Britain's defence secretary Mr Tom King welcomed the arrests as a "good sign of inter-

national co-operation in Europe in the fight against terrorism."

Both the Netherlands and Belgium yesterday joined West Germany, France, and Luxembourg, in ratifying the Schengen Treaty abolishing border controls.

However the latest moves against the IRA have once again brought to the surface some of the legal problems which lie in the way of more widespread European co-operation on security matters.

Miss Maguire was acquitted on explosive charges by a Dublin court in February this year.

Although she was probably kept under surveillance, she subsequently managed to leave, undetected, for the Continent. While the Irish Government is concerned about the case of Miss Maguire, it has been quick to point out that Mr Harte was extradited from the Irish Republic to Northern Ireland two years ago.

Harte was subsequently released by the British authorities and was apparently allowed to leave Northern Ireland, undetected, for the Continent. Meanwhile a Belgium police spokesman confirmed yesterday that Belgium had asked the Dutch authorities to extradite two of the three men caught in the Netherlands.

West Germany has requested Ms Maguire's extradition but Belgium will not be able to comply before her fingerprints are checked, the spokesman said.

Petrochemical Industries Limited
(IN LIQUIDATION)

The liquidator of Petrochemical Industries Limited appointed by order of the Supreme Court of Western Australia on 20 September 1989 seeks expressions of interest in the purchase from him of certain land, and detailed technical data purchased and produced for the purposes of establishing and operating a petrochemical complex at Kwinana (50 kilometres south of Perth) in Western Australia. The complex was to comprise of units for the production of ethylene, ethylene dichloride/vinyl chloride monomer, chlorine and caustic soda.

ASSETS

- Fenced Land, known as Lot 15, Mason Road, Kwinana, Western Australia legally described as being, portion of each of Cockburn Sound Locations 244 and 704 and being lot 15 on Diagram 2448 being the whole of the land comprised in Certificate of Title Volume 1827 Folio 500, zoned "Industrial" and being 76.0109 hectares in area.

Technical Data

The project had progressed to the point that the following studies had been completed. Relevant documentation forms part of the proprietary (or licensed) intellectual property and would be available to the purchaser for establishing and operating a complex, in all materials respects, identical to the one mentioned above only together with rights to the full intellectual property created during the design of the project.

Documentation includes:-

- Marketing and feasibility studies.
- Design for site preparation and power line relocation.
- The negotiation and purchase of rights to various licence and design packages relating to the process designs for the various stages in the manufacture of monomers and sodium hydroxide.
- A number of studies relating to civil and environmental aspects of the site.
- Project procedures, documentation and technical specifications.
- Basic design data documentation for the ethylene, chlor-alkali and EDC/VCM units, and for the common services and general areas and for the utility and offsite services.
- Process design data documentation for the ethylene and chlor-alkali units for two different design rates of annual production.
- Design studies on a range of matters including geotechnical and foundation work, electrical and various other services and conceptual site and building arrangements.
- An environmental Review and Management Programme.
- Land Surveys.
- Hazard and risk analyses associated with project plant and equipment.

Licences

The project is subject to the relevant licensors' consents being obtained.

Expressions of Interest

Any party wishing to express interest in the acquisition of the land and technical data are to contact:

The Liquidator,
Petrochemical Industries Limited,
(in Liquidation)
C/- Messrs Ernst & Young,
18th floor, AMP Tower,
140 St Georges Terrace,
Perth, Western Australia, 6000.
Telephone: (619) 426 6222 Fax: (619) 321 2461

Closing date for Expressions of Interest 31 August 1990.

Ernst & Young

Ferrier Lullin & Cie SA

Bank established in 1795 - Geneva

Two Centuries of private banking

Key Data

	1988	1989	% Change
In SFr. m			
Net Revenues	67.3	75.6	12
Cash Flow	21.4	24.8	16
Net Income	15.4	17.5	14
Dividends	6.0	7.2	20
Total Assets	350.0	376.6	8
Capital and Reserves	87.7	97.7	11
Staff	254	246	-3

The operations conducted by our bank in 1989 were satisfactory, as regards our own results as well as growth in client assets and management performance. The 16% rise in cash flow

has enabled us to further boost provisions, together with capital and reserves, while increasing our dividend which has been raised from SFr. 20 to SFr. 24 per share.

Geneva-Luxemburg-Bahamas
Grand Cayman-Hong Kong

15, rue Pichard Case postale CH-1221 Genève II Tel. (022) 20 52 22

MANAGEMENT

Toy Industry

Family continuity holds the key to longevity in a one-product company

Peter Marsh on the part quality and rigorous planning play in the continuing success of Lego, the secretive Danish company

In a volatile and competitive environment, "we have concentrated and used our strength to go deeper into what we know about." So Kjeld Kirk Kristiansen, president of Lego, the Danish toy company, sums up the philosophy which has given his group a remarkable run of success over the past 30 years.

The international toy industry, worth an estimated \$30m a year at producers' prices, is one of the world's fastest changing industries, with novelty an important selling point.

Despite this, the family-owned Lego has remained at the top end of the sector with a product philosophy based around just one idea - the brightly coloured plastic building bricks first launched in 1949.

Lego is a household name in virtually every home in the developed world with children. But the company is highly secretive, citing the heavy competition in the toy industry and its desire to protect itself from rivals, it does not allow interviews with product designers, nor visits by outsiders to most of its factories. It does not reveal total annual sales - which are believed to approach \$1bn - let alone profits. It is in the top seven or so toy manufacturers, with its biggest competitors being mainly US or Japanese groups such as Mattel, Fisher Price, Hasbro, Milton Bradley, Nintendo and Tonka.

The Lego story, which has lessons not just for toy manufacturers, but for businesses in other fast-changing industrial sectors, is centred on a long-term strategy of product development.

This has enabled it to cater for the thirst for new ideas in the market place by coming up with an enormous number of variations on its basic product theme. "We have demonstrated continuity, but with change," says Kristiansen, a quietly-spoken 42-year-old who has headed Lego since 1978.

The company has also placed great emphasis on a global stance on manufacturing and marketing, detailed research to find out consumer tastes and high-quality and expensive production technology.

At any one time, about 300 different Lego kits are on sale in the shops. They retail for between a few dollars to more than \$100.

The sets cover a huge ground in terms of numbers of parts and complexity. They can give children ideas for making anything from small cars to large space stations complete with battery-operated "space trains".

There are 1,300 different Lego shapes - not just bricks but a range of other construction components and the miniature Lego men (there are only a few women). These three-centimetre high figures, first introduced in 1978, come in a number of forms including knights, pirates, Robin Hood figures, ambulance workers and mechanics.

Part of the Lego philosophy is that children are encouraged to do more than stick to the kit designs. A set of six eight-studied Lego bricks can be combined in 103m ways. This kind of flexibility makes Lego hugely adaptable and is an important sales point. "One cubic metre (of Lego parts) is a decent collection for a child," says Niels Christian Jensen, Lego's vice president for marketing.

Lego is owned by Kjeld Kirk Kristiansen and his father, Godtfred Kirk Kristiansen. Godtfred, aged 70, has been involved in the business since he was 12. Although officially retired, he is still part-time chairman.

The changes mean that Lego takes about the same length of time developing products as previously, but is working on roughly twice as many new ideas at the same time. Now Lego aims to launch roughly twice the 50 or so new products introduced each year in the 1970s

Ole Kirk Kristiansen, Godtfred's father, started Lego in 1932 in the small town of Billund, in the flat agricultural region of central Jutland. Ole Kirk was a carpenter who moved into toy making as a sideline. He chose the name Lego from the Danish *leg godt*, meaning "play well". Godtfred, one of his four sons, took over the running of Lego on his father's death in 1958.

The original toys were cars and other objects made from wood.

Lego moved into plastic building bricks in 1949, copying this idea from British toy makers such as Meccano which have long since disappeared. It dropped out of wood products shortly afterwards.

Lego is today still based in Billund, which has 5,000 inhabitants. The town's most famous structure is the house where Ole Kirk Kristiansen lived. Lego has mushroomed into a giant organisation with 6,300 employees and sales operations in 115 countries. It has plants in Switzerland, West Germany, Brazil, South Korea and the US as well as in Denmark.

Much of the expansion came in the 1970s, as Lego built up sales in some of the biggest toy markets such as West Germany and the US. It did not have everything its own way. The expansion involved a great deal of investment. It found difficulties at first breaking into the highly competitive US toy business.

According to Erik Quistgaard, a non-executive director of the company since 1975, Godtfred, the chairman, deserves most of the credit for keeping his eye on the long-term. "He recruited the best managers and built up a loyal team," says Quistgaard.

The rivalry, in particular from Tyco - the US's fifth biggest toy company, in the early 1980s - jerked it into action. The New Jersey-based company bases much of its business on copying Lego products, so much so that a Tyco building brick is virtually indistinguishable from one made by Lego. Lego has unsuccessfully sued the US company on several occasions, claiming patent infringements.

"We didn't like Tyco copying us," says one Lego executive. "But it was a good kick for us - it made us more aggressive." Adapting to new trends is everything, according to this manager. By this he means taking on new ideas in areas such as space transport, which has been a big hit for Lego since it developed its first space product in the late 1970s.

Meccano (a once popular British product) was a good toy, but it didn't adapt," he says. The changes mean that Lego takes about the same length of time developing products as it did previously, but is working on roughly twice as many new ideas at the same time. Nowadays Lego aims to introduce annually roughly twice the 50 or so new sets it brought

onto the toy market in the 1970s. Each item lasts in the shops for an average of only two to three years before it disappears from the range and is replaced by something else.

● **Product development.** In a typical year, Lego replaces roughly one third of its product range. That boils down to finding new ideas for about 100 new Lego kits, and dropping perhaps 80 from the current items in the shops.

● **Market research.** At an early stage in the development cycle, the new Lego kit is made in prototype form and tried out on a test group of 100 consumers around the world.

Typically Lego might aim to show the prototypes to three sets of people, in Europe, Japan and the US. Mothers and boys are normally chosen to be the guinea pigs, on the grounds that while women are the main buyers of toys, Lego appeals mainly to boys. Lego's market research shows that girls quickly lose interest after the age of six.

Lego is not interested in national buying habits, only global ones. "In some markets it might be possible to optimise our products (to meet local tastes)," says Jensen. "But if you differentiate too much you start to make difficulties for yourself, especially in manufacturing."

The Lego products themselves reflect this approach. Lego men, for example, are as near to a neutral colour in terms of racial origin as appears possible. They are a uniform bright yellow and have pleasant, smiling faces. Lego has wrestled with the idea of introducing brown faces, or unsmiling ones, but has no plans to do this for the time being.

Illustrating the company's global approach, Lego recently dropped a plan to introduce a new range based on cowboys and Indians. It found through market research that this appealed only to American children, while others were indifferent.

● **Manufacturing.** Lego employs 200 people who do nothing but make tools for plastics injection moulding machines which turn out the Lego parts. These people are in three tooling shops, two in Switzerland and one in West Germany. Asked why he has three tooling shops, Kristiansen says: "It is good to have some competition."

A Danish consultant familiar with Lego says: "If it had been a publicly owned company, the three shops would have been rationalised by now. But Lego has been keen to preserve quality."

In terms of its manufacturing operations Lego liaises closely with

makers of injection-moulding machines such as Battenfeld of West Germany and customises much of its production equipment. It employs about 350 engineers who work in this area.

● **Management culture.** Kristiansen says that in terms of a corporate culture his company is closer to a Japanese toy group than a western one. "We try to learn from the competition, especially in the US. But they do things very differently from us. They don't seem prepared for when things go wrong and they run into a wall. I can't understand their lack of long-term thinking."

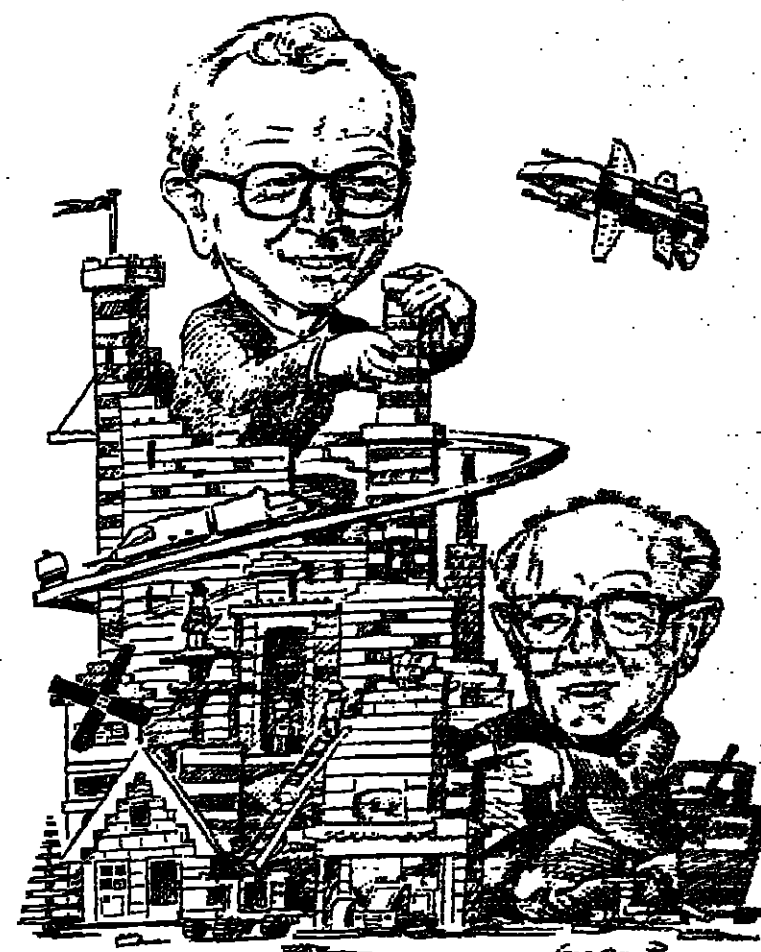
Lego fills its top management ranks with a number of nationalities, but normally chooses insiders. Of the top 50 managers, half are from outside Denmark, with most of these people being in Lego's operations scattered around the world. The last time someone from outside the company was recruited to one of the top 10 positions in the company was about 15 years ago.

Lego is not totally immune from problems. It has had some costly failures, for instance with its efforts to find a variation on the Lego range that will appeal to girls. It

has tried out such ranges, under the Fabuland and Scala brands, but without success. Lego is probably less adroit than its counterparts in the US in using promotional tools such as TV, films and books to sell its products. It has a slightly paternalistic attitude to its staff and this may breed problems in later years, especially as increasing numbers of its staff are based outside Billund (which currently is home to one in every two Lego employees).

Yet it is probably the somewhat old-fashioned ring to the company and its basic product philosophy that helps it to do so well. Lego says there is one aspect of its strategy it will not change - that none of its toys are involved in anything that could be construed as organised violence - even though this might give it a sales push in the short run. Many parents, in particular, are probably glad it sticks to this approach.

Asked what kind of company he wants Lego to be in 10 years' time, Kristiansen says: "We might have grown somewhat, but we will be doing what we do now, which is making products that will stimulate children in being creative and using their imagination and fantasy."



Kjeld Kirk Kristiansen and Godtfred Kirk Kristiansen: family-owned Lego has stayed financially independent

Forget sky-high London costs, the M25 and a stressful way of life.

Opt instead for a city environment with a fresh-air feel: Harbour City, on the waterside in Salford Quays. Prestige office accommodation for the down-to-earth rent of £15 per square foot.

PRINCE REGENT GALLERIA
14 retail units (12,540 sq ft total)
60,700 sq ft studio office space
(15,500 sq ft) • 5,411 sq ft • 5 Stunning central atrium

THE VICTORIA
Ideal for corporate HQ 10-storey tower • Dramatic 2-storey reception hall • 116,000 sq ft next to lettable offices

ALEXANDRA COURT
5 storeys • 57,500 sq ft of high-specification office space
• Flexible letting • Private garden • Secure parking

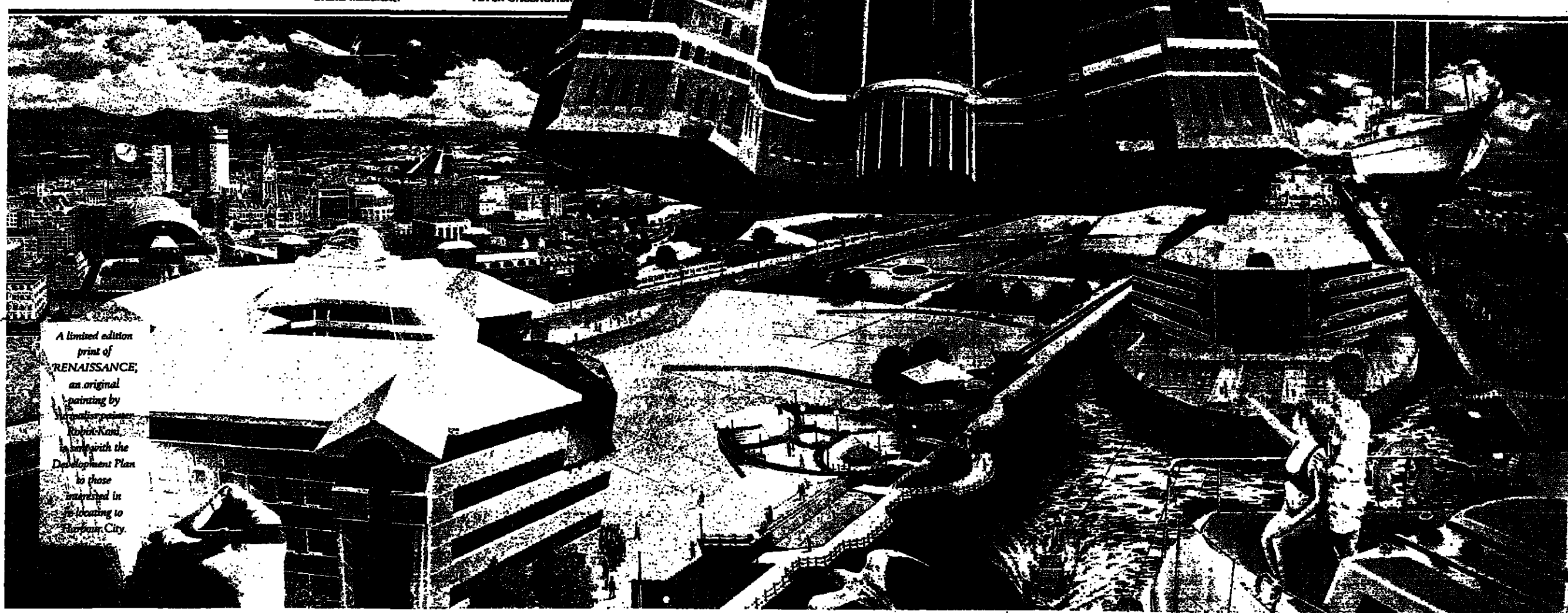
Also on-site: four-star hotel, superb restaurants, speciality shopping, conference and leisure facilities and multi-storey parking. A development by the Manchester Ship Canal Company

Bernard Thorpe
061-236 9305
CONTACT
KEN BISHOP

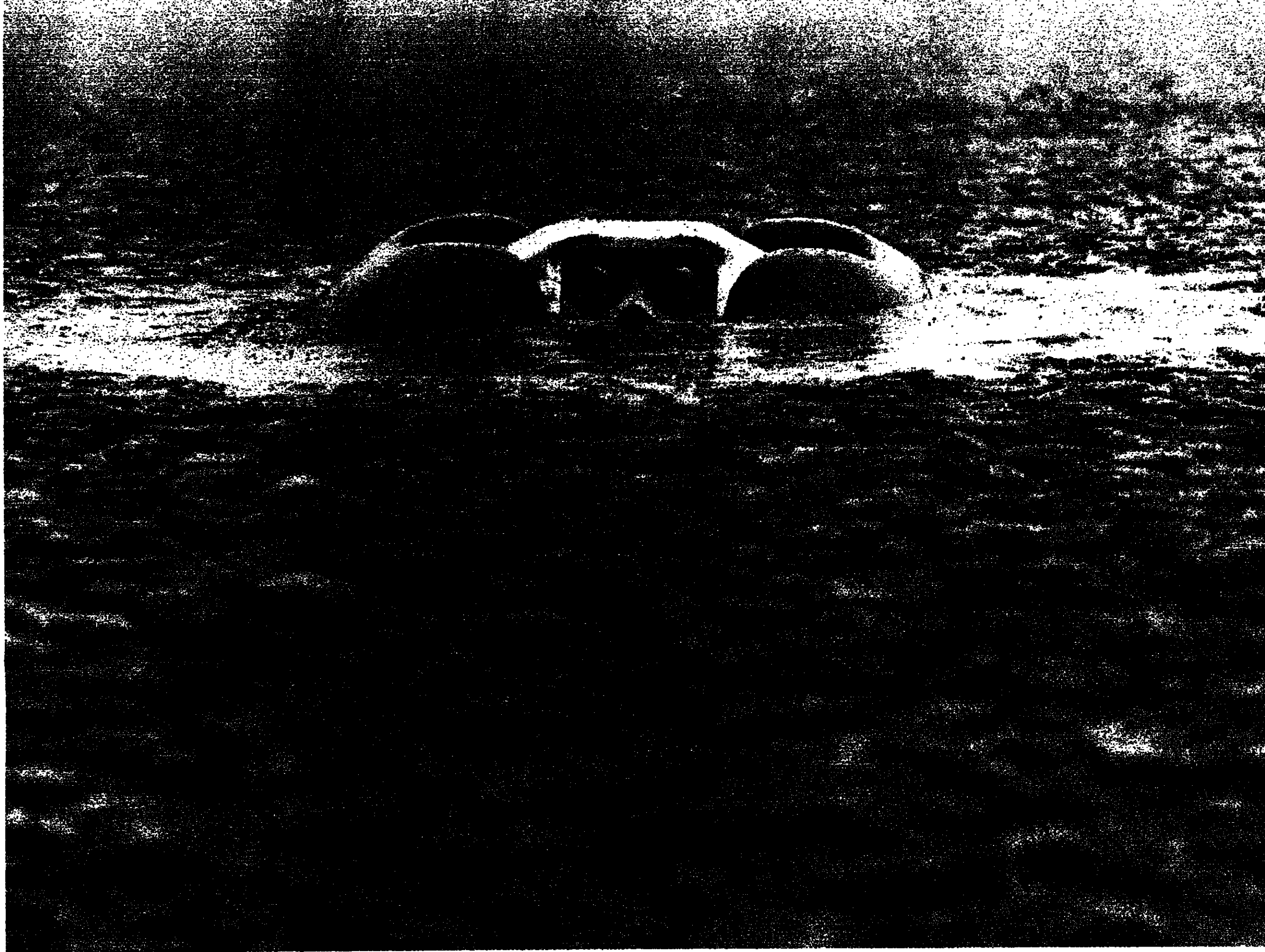
Salford Quays
Greater Manchester

PETER GALLAGHER
061-848 8333
CONTACT
PETER GALLAGHER

Come down to earth



BP logo



Our new tankers should make life safer for everyone on the road.

You may not recognise this little fellow immediately. But if you drive a car, you've certainly run across a road reflector before.

It's easily done.

High winds, wet roads or tight bends can

cause the most level-headed drivers to stray unwittingly from their lane.

With this kind of scenario in mind, BP is designing new low-profile petrol tankers.

A lower centre of gravity gives them

unswerving loyalty in wet conditions.

While the three separate anti-lock brake systems can get them out of all sorts of tight corners.

In future more and more of our tankers will benefit from these and other safety features.

Which ought to make all road-users rest more easily.

Helping to improve road safety is one of the things BP is doing today for all our tomorrows.



For all our tomorrows.

TECHNOLOGY

Clive Cookson examines the practicality of pricing supermarket items electronically

The shelving of printed labels

Later this year the printed shelf labels will be removed from two aisles of Tesco's supermarket in Baldock, Hertfordshire and replaced by electronic labels with liquid crystal price displays, linked directly to the computer controlling the check-out scanners.

Tesco expects to be the first UK supermarket group to try out electronic price labels. It will install about 1,000 labels supplied by PriceLink of California - half on ordinary grocery shelves and half in freezer cabinets.

Several companies on both sides of the Atlantic have developed electronic labelling systems, which are being tested in individual stores. But, with the technology changing rapidly, no retail group has yet installed electronic labels throughout a supermarket chain.

Retail executives agree that electronic labels will eventually become ubiquitous like bar code check-out scanners. They will then represent a world market worth several billion dollars a year. It is potentially much faster and more efficient for a supermarket official to change prices on the shelves instantly by entering the details on a computer terminal than to send staff round the store with new paper labels.

But there is no agreement about when electronic labelling will be sufficiently cheap and reliable to be adopted widely.

A study recently carried out for PriceLink by Deloitte & Touche, the US consultants, concluded that the payback period for a system installed in a typical supermarket would be less than two years. The current cost of installing a full system with 12,000 shelf labels is about \$140,000.

According to the electronic label companies, the main benefits of their systems are:

- Savings from eliminating paper labels. Deloitte & Touche calculated that in one test supermarket (a Sainsbury store in Milwaukee) which made 1,200 price changes per week, the annual labour and material savings came to \$40,000. Labour saving is becoming increasingly important, as demographic changes reduce the number of young people prepared to work in shops for relatively low pay.

- Integrity between scanner and shelf price. There is occasionally a discrepancy between the printed shelf label and the price charged at the check-out. If the shopper is asked to pay



more than the shelf price, she or he may make a fuss - leading to the loss of that customer's goodwill and occasionally to adverse publicity and even prosecution. If the shopper is charged less than the shelf price, she is likely to remain silent - and the supermarket makes a loss. The electronic system ensures that the two prices are always identical.

Supermarket executives are sensitive to bad publicity about price discrepancies between shelves and scanner, and in public they usually deny that there is a problem. Even so, Deloitte & Touche estimated that eliminating discrepancies would save \$33,000 a year in the test supermarket (where accuracy is better than average), on the assumption that the customer and cashier report 10 per cent of the paper system's pricing errors.

- Electronic price management. Being able to change prices instantly gives supermarkets greater flexibility, for example to cut prices temporarily to promote sales of particular items during off-peak shopping periods.

- Consumer appeal. Shoppers in test supermarkets in North America overwhelmingly prefer the electronic system to

paper labels.

British supermarket executives, however, are sceptical about many of the benefits claimed on the basis of American tests. "The only hard advantage I can see is a saving in labour," says Paul Egart, Tesco's retail planning director. "There are supposedly a lot of soft benefits but we wouldn't spend money for those."

Egart points out, for example, that electronic price management would be far more useful in the US, where price competition between local supermarkets is much more aggressive than in the UK.

But the Tesco board now believes that electronic labelling technology has advanced to the point where it is worth-while for the company to carry out its own tests and cost-benefit analysis. "We believe from our investigations that PriceLink has the most advanced system so far," says Egart, "but we'll also be testing a second system from someone else." The identity of Tesco's second supplier is still confidential.

Sainsbury, Tesco's greatest rival in the UK supermarket sector, is not yet ready to try any of the available systems in

its stores. "We're working with a number of people on the feasibility of electronic shelf labels," says Jeremy Grindle, Sainsbury's retail operations director. "But the cost-benefit doesn't look right to us yet."

The two pioneering producers of electronic shelf systems, EpsiLanne of France and Telepanel of Canada, ran into difficulties raising funds to develop and market their systems; they have been through financial restructuring exercises.

EpsiLanne, which has independently owned sister companies outside France, has several test installations in Europe, including a small one (200 labels) in the UK at the Makro cash-and-carry warehouse in Leeds. Its largest site, with several thousand labels, is a Casino supermarket in St. Etienne, France. But John Baxter, managing director of EpsiLanne (UK), says that because of a shortage of development funds the company has not grown as fast as he had hoped.

Telepanel, based in Toronto, has been developing its system in association with Loblaw's, a large Canadian supermarket chain, since 1985. The company has a contract to install full-scale systems in 10 Lob-

law stores by the end of 1991. Telepanel has given exclusive North American marketing rights to ICL Datachecker, the retail systems subsidiary of STC, and seven US and Canadian supermarket chains are testing the system.

Several other electronics companies, including PriceLink, are developing systems to compete with EpsiLanne and Telepanel. Retail Electronics, a UK company, has been set up to market the PriceLink system in Europe; its main financial backer is Ernst Schiel, chairman of Retail Products, a supermarket shelving supplier.

Electronic shelf labelling is already showing one typical sign of an emerging high technology industry: patent disputes. Telepanel filed a patent infringement suit against PriceLink this year. PriceLink denies any wrongdoing - and more legal action is in prospect. Even so, Andrew Aylin, managing director of Retail Electronics, says he is confident that the patent disputes will not cripple the industry's growth.

Although all electronic labels developed so far have a liquid crystal display, they differ considerably both in the style of the label and in the technology used to communicate between labels and store computer.

EpsiLanne has a "hard wired" system, with labels attached to an electronic track that goes round the shelves, carrying data and power. Telepanel labels, in contrast, are battery-powered and incorporate individual radio transmitter/receivers to communicate with the computer.

PriceLink also uses radio communications. But its labels do not have their own batteries and transmitters. These are included in a "shelf node" which serves a group of labels and is attached to the underside of each four foot length of shelving.

Other systems under development use infra-red radiation to communicate price changes to shelf labels. It is even possible to encode and transmit data by making the supermarket's fluorescent lights flicker at different rates (more rapidly than the shoppers can notice). But these systems are capable only of one-way communication to the labels, whereas the radio-based and hard-wired systems send back a message confirming that they have changed the price displayed and are working satisfactorily.

WORTH WATCHING
By Della Bradshaw

Warming up to electric walls

IMAGINE returning home on a chilly evening and being able to turn a knob which immediately heats up the walls or floor of your living room.

That is the promise of an exothermic paint developed by the Japanese paint-maker Rustol Chemicals, of Tokyo. Its closely guarded formula conducts electricity and converts it into heat. Unlike the traditional radiator, which concentrates heat in one corner of the room, the paint spreads the heat evenly over the treated surfaces.

The viscous liquid can be sprayed or brushed on to any organic or inorganic surface and dries at room temperature. For industrial applications the technique can be used to heat surfaces up to 800 deg C.

Although its use in the home initially seems the most appealing, Rustol believes the coating will have a huge range of industrial applications - for heating up airport runways in icy winters, for example.

A better hold on data characters

GETTING printed information off the page and into a computer system is still a problem for smaller companies, with many having to resort to re-keying the data.

The answer could be a low-cost scanner, developed by Dest, of California, which the manufacturers claim is the first hand-held unit to give full page-width scanning, thereby reducing the time and increasing the accuracy.

Scanners read the characters on the page and transmit them electronically to be displayed on the computer

screen, where they can be manipulated. The Personal Scan can reproduce text at a resolution of 300 dots per inch at a speed of 12.4 seconds per page and can reproduce 64 levels of grey.

The Personal Scan, which bears an uncanny resemblance to a wallpaper stripper, sells in the UK for £995 from Formacan, of Frome, Somerset. The price includes the scanner, interface card to fit inside a PC, connecting cable and software. The hand-held unit can also be fitted into a desk-top frame.

Checking in at a multilingual hotel

A BRITISH company intends to ease the burden of hoteliers who face the onerous task of accepting telephone messages from foreign-speaking callers, writes Kevin Willmott.

Telephone Management Systems, of Christchurch, Dorset, has devised Voicelink, a PC-based voice messaging service specifically for hotels. It can be used with any electronic business telephone exchange and computerised hotel management system which records data such as guest nationality.

If the telephonist obtains no response from a room when the call comes in, he or she can switch the call over to Voicelink. Prompts to leave a message will be given in the guest's native tongue and a mailbox on the system opened for message retrieval by the guest.

The speech is compressed and stored on a Winchester disk, each 20 megabytes holding two hours' worth of messages. The system is economical as it only creates a mailbox for the guest once the first call rolls in. With most systems a mailbox has to be set up for each room, regardless of how many of them are used. Voicelink costs from £8,000.

Brochures take to the screen

ARCHITECTS and surveyors can be swamped by the amount of printed information they need to keep up to date with the latest building products and techniques. But technology is now at hand to speed up the process and cut the costs.

The latest scanning, PC and compact disc technologies are being combined to give

an electronic library of the thousands of brochures and specification sheets available.

Developed by Poulter Communications, of Leeds, the Quantarc electronic library uses specially-developed technology to ensure that the tiniest print from the brochures is easily readable on the screen, a facility which is usually found only on expensive systems.

Subscription to the service - including a PC with 100 Mbytes of memory, a high resolution monitor, a CD-ROM reader and 25 programmed discs each containing, on average, 1,600 pages of information - costs £2,785 a year.

Brochures can be retrieved on the mouse-driven system by company name, type of product, brand name or SPB number. Once the brochure is displayed the architect can call up a standard letter asking for more information on, say, price and delivery dates. The letter is then sent overnight via the Mercury phone network to the fax or telex machine of the manufacturer, for a charge of 25 pence.

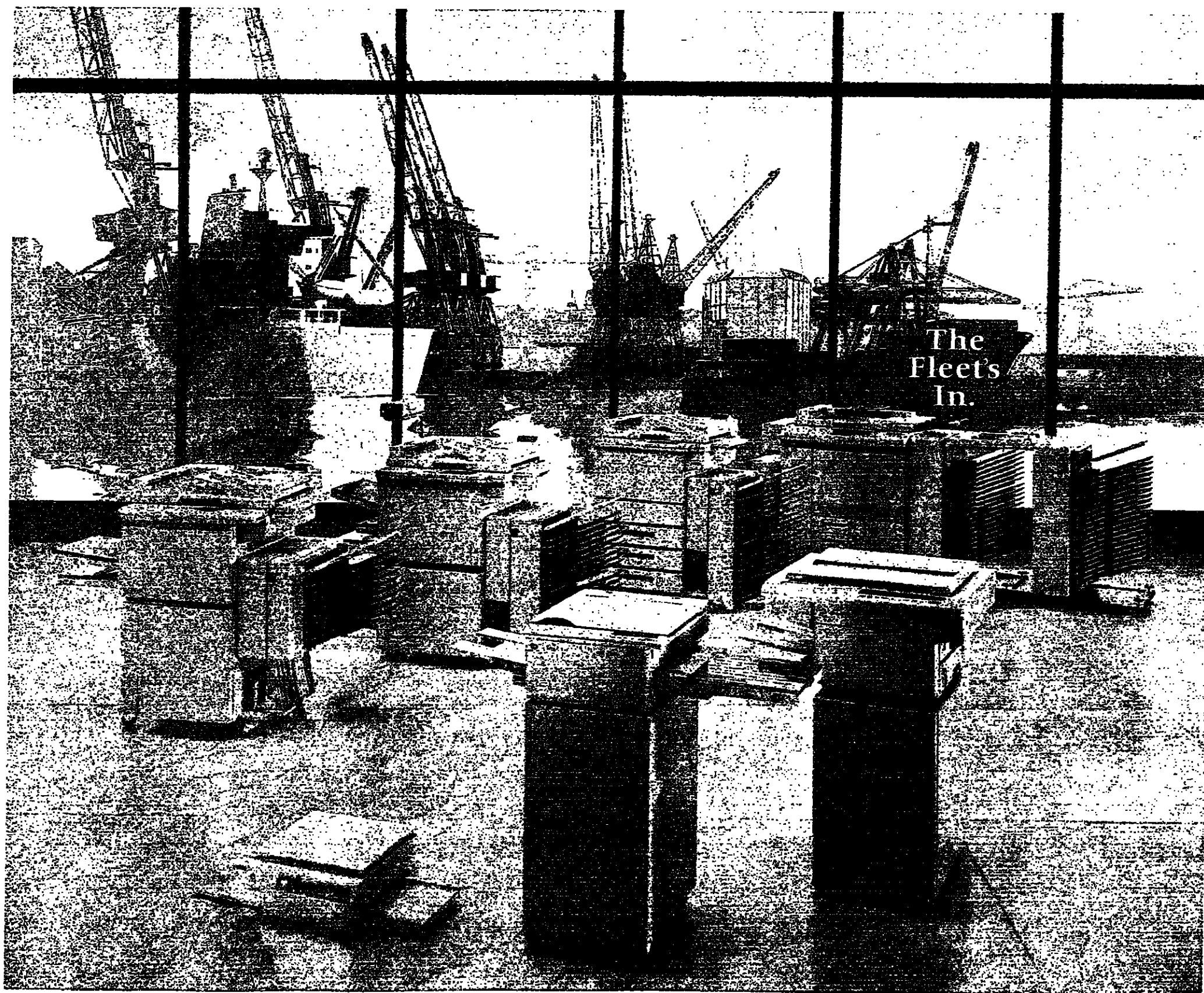
Updated discs are sent to subscribers every three months, but extra or updated text can be added to the brochure overnight if required. The Quantarc service is available in the UK now, and should be available in West Germany by the end of the year. The company is also planning to expand its service to cover other brochure-rich industries.

Foreign words put on credit

NO European summer holiday will be complete this year without the latest in electronic wizardry - the French or German dictionary on a silver of plastic the size of a credit card.

Developed by Sharp, the Japanese electronics manufacturer, for its IC electronic organiser, the two cards are based on Harrrap's dictionaries, and intended to replace the well-thumbed pocket reference books. Both cards store over 150,000 translations, and if a word is spelled incorrectly it can throw up similar words as a suggested alternative.

Contacts: Rustol Chemicals: Japan, 03 584 8251, West: US, 408 423 7700. Formacan: UK, 0373 81444. Telephone Management Systems: UK, 0202 561 541. Poulter: UK, 0532 822032. Sharp: Japan, 06 621 1221. UK: 061 285 2323.



You can't fault a Minolta

The Minolta fleet is complete, and ready for action. Each copier designed to take up the bare minimum of office space.

Utterly reliable - because your time and money is precious too.

With Minolta's world famous copy quality Copy after copy after copy.

1,000 TO 100,000 COPIES PER MONTH.

There's the EP30. Ideal for small businesses, or for extra copying capacity.

The EP2100. 10 copies a minute and a second colour. Or the EP3120. 12 cpm, a second colour and zoom from 50% to 200%.

Step up to the EP4230. 23 cpm, quadruple zooming, a programmable memory: 3 colours at a single pass, and Simul-Color III.

Next, the EP4300. High performance, and fully configurable, with a wide range of accessories.

POWERFUL REASONS TO BUY.

Then the totally new EP5400. More power still, with easy-loading 'drawer style' paper trays, 50 sheet by-pass, and a range of configurable accessories.

Finally the EP6600. The last word in power: 60 cpm, and 999 copies in a single run. Expandable up to 4000 sheets. A programmable memory, and every accessory a business could need.

And you'll have Minolta's nationwide network of service centres to call on.

To view the fleet, make a Minolta dealer your next port of call, send the coupon for more information or call the Minolta Speedline on 0908 214395.

MINOLTA

Please send me details of the Minolta fleet of copiers.

Name
Title
Company
Address

We produce photocopies per month
EP30 ☐ EP2100 ☐ EP3120 ☐ EP4230 ☐
EP4300 ☐ EP5400 ☐ EP6600 ☐

SEND TO: MINOLTA (U.K.) LIMITED,
BUSINESS EQUIPMENT DIVISION, FREEPOST,
BLAKELANDS, MILTON KEYNES MK14 5LQ.

PHOTOCOPIERS FACSIMILE LASER PRINTERS

Minolta

FINANCIAL TIMES SURVEY

STAFFORDSHIRE

Wednesday, June 20, 1990

□ Burton upon Trent: still the brewing capital of Britain
— see page 2

□ The ceramics industry: winning orders world wide
— see page 4



Staffordshire, for long associated with the traditional industries such as brewing, ceramics

and engineering, is attracting new investment. The arrival of Toyota, the Japanese vehicle-maker, will bring an important boost to the area, explains Stewart Dalby

Fresh attractions for investors

THE DECISION of Toyota to build a car plant at Burnaston in Derbyshire, a few miles across the border from Burton upon Trent, will mean an important boost to the Staffordshire economy. The plant, which occupies 300 acres of a 628-acre site, will cost £700m and employ 3,000 people to produce first 100,000 cars a year, rising to 200,000 in 1992.

The economic change which this will mean for Staffordshire is complicated by the fact that the story the statistics tell is not what observers might

expect. With just over 1m people, Staffordshire is both — in population and physical terms — the fifth largest county in Britain. Four-fifths of its 1,000 sq miles are still rural.

But in the popular imagination it is associated with the old declining industries typical of the north of England. Staffordshire has steel, coal, the potteries around Stoke, brewing in Burton upon Trent, and engineering, in part associated with the automotive industry, all over the county. To be sure, these industries did undergo a

shake-out in the early 1980s. Coal and steel jobs vanished by the thousands. In ceramics, some 20,000 jobs were lost, leaving some 36,000 employed in the white-wear ceramics industry. The breweries rationalised, too.

Yet, earlier this year at a time when unemployment for the country was 5.9 per cent, it was only 4.6 per cent for Staffordshire as a whole. Even at the height of the recession of the early 1980s, unemployment peaked at 13 per cent in places.

For most of the county it never rose above an average of 9 per cent. Other old industrial areas even in the east Midlands, like Coventry, saw unemployment rates well into double figures.

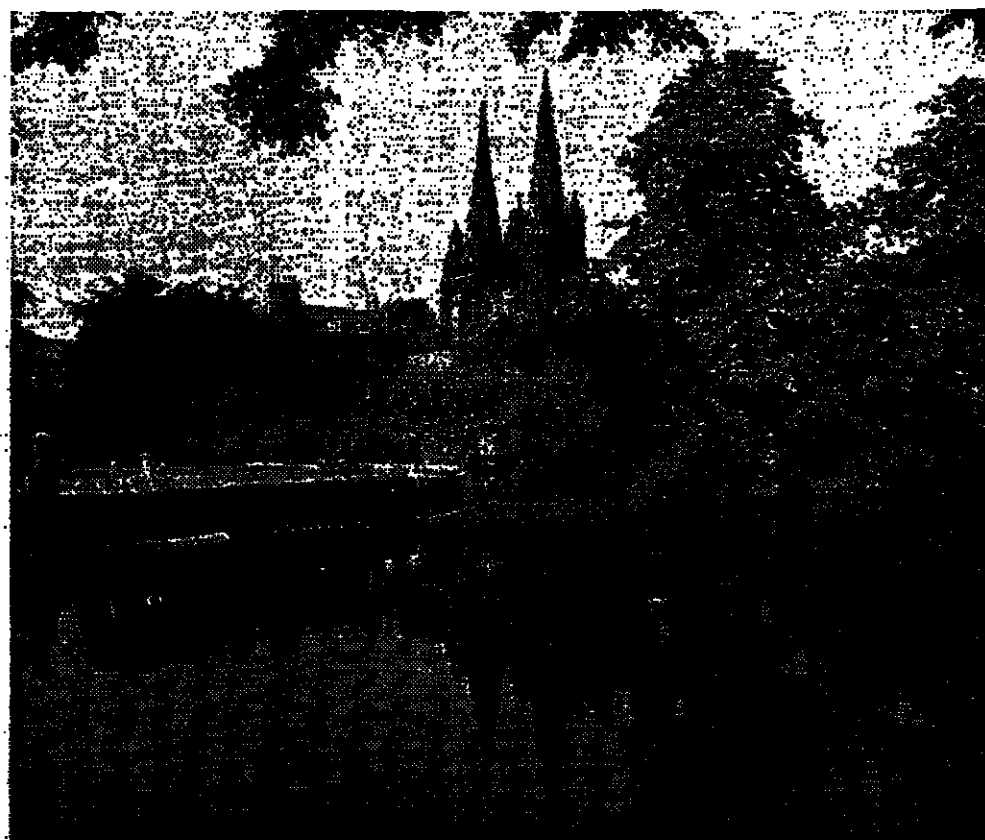
Staffordshire has developed a tourist industry in the past decade with 10,000 employed in it, but this would not explain the comparatively high employment.

Some 88 per cent of the workforce is still employed in manufacturing with a further, more than 5 per cent in the primary extractive industries. Although the Britannia Building Society, the ninth largest in the country, has its headquarters in Leek and there are other service companies, Staffordshire has hardly become a white collar county.

There are reasons for this apparent low level of unemployment, as will be explained, but one of the consequences of it has been that, for the Conservative governments of the past decade, Staffordshire has not been considered a hardship area; a low wage economy perhaps, but certainly not in need of nursing back to health. Accordingly, it has not had money thrown at it from Whitehall.

Staffordshire can obtain regional selective assistance, and reclamation grants. It also qualifies for European Coal and Steel Community (ECSC) loans and other EC assistance. The county, however, has not seen a flow of big government money in the form of an urban development corporation, for example.

Stoke-on-Trent, the centre of Arnold Bennett's famous "five towns" (actually, there are six) and still the largest town in the county with a population of 250,000, has seen little in the



Lichfield Cathedral: the town is 15 miles north of Birmingham

way of urban aid. This, in turn, has meant Staffordshire, although it has attracted its share of small relocations, and although local companies which came through the recession have expanded, has not been prominent as a relocation centre.

Toyota's arrival has not changed the intrinsic merits of Staffordshire. Besides the pots and the beer, as it were, there are a number of well-known industrial names in the county. JCB is just outside Uttoxeter. GEC is in Stafford and elsewhere, there is also Century Oils in Stoke.

What the Japanese company's coming has done is concentrate minds on what an investment opportunity the county has for new inward investment, job creation and to boost wages and incomes.

The thinking in Staffordshire is that if 3,000 people are employed directly by Toyota, then at least 16,000 jobs could

be created indirectly. Toyota has not yet said how it will supply its plant, but many companies in the automotive sector will be hoping it will be through "just-in-time" components under which car-assemblies plants are fed with regular supplies from outside rather than holding huge stocks on site.

Further benefits

But there would be other spin-offs. Already Burton has Pirelli, which employs 1,700. Stoke-on-Trent is the base for the Michelin Tyre company's manufacturing headquarters.

For, if Staffordshire has been neglected in the past as an investment opportunity, the lack of attention has also meant that it is now extremely cheap.

Mr Mike Tappin, the leader of the Labour-controlled Staffordshire County Council says: "We are very competitive as a

business location." He is referring to the price of industrial land which indeed is extremely cheap at an average of £125,000 an acre and barely rising to more than £200,000 an acre. Some sites can be bought for as little as £70,000 an acre.

Office rents for B1 properties — that is light industrial or office properties, insofar as they exist in clusters in the county — are below £10 per square foot. The problem with land is not so much its cost, but its availability.

The Staffordshire Development Association, in its promotional literature identifies 550 acres in the county, but this is clearly a notional figure. There is clearly less than this readily available.

Much of the land, particularly in the north of the county is degraded. Mining has caused subsidence, there have slag heaps from the potteries and so on.

Also, the councils own rela-

tively little land themselves. Potential development sites are under mixed ownership — the Severn Water Authority, the breweries, British Rail are some of the owners. They often have ideas different to the local authorities about what should be done with land.

Mr Tappin is aware of the problem which he says is particularly acute in the north of county around Stoke. The land there is fragmented.

Describing his council as "aggressively entrepreneurial," he says: "We must make industrial land available for windfall development. It is not an exaggeration to say we are racing to make land available to meet the demand."

If like many property developers, you believe that location is almost everything then Staffordshire is like its literature says an "ideal business location" — Stoke and Stafford are on the M6; it is close to three airports, Manchester, Birmingham and the East Midlands.

If land, rent and rates costs are attractive, is the labour available? The bald employment figures would suggest that it is not. It is here that apparent anomalies in the figures bear close scrutiny.

The jobs which were shaken out of the ceramics industry were apparently very largely held by women. Many of these did not go on to the unemployment register when their jobs folded. At a time when many city halls and local authorities are actively designing programmes to find mothers who want to work, Stoke is in the very unusual position of knowing it has a resource of up to 20,000 women who can be called on.

Not only this: Staffordshire is a county of small towns in between large ones. To the north is Manchester, to the south, Birmingham and the West Midlands conglomeration. To the east is the Derby-Nottingham nexus. The county has a large workers emigration. In the south of the county, in particular, people in towns such as Cannock, Tamworth and even Burton, look to Birmingham for work.

There is thought to be a large number of people who travel out of the county for jobs who could be persuaded to work closer to home.

IN THIS SURVEY



Burton on Trent is still "the brewing capital of Britain."

Focus on the changing employment scene in Burton; brewing began in the town nearly 1,000 years ago. Today, brewing is the main employer.

Road and rail communication networks are under strain. PAGE 2

The motor industry: the region is well placed to benefit from Toyota's arrival.

A tyre-maker with panache: Pirelli's UK powerhouse is at Burton upon Trent. PAGE 3



Staffordshire is famous for its pottery. Above: a craftsman at work on pottery moulds.

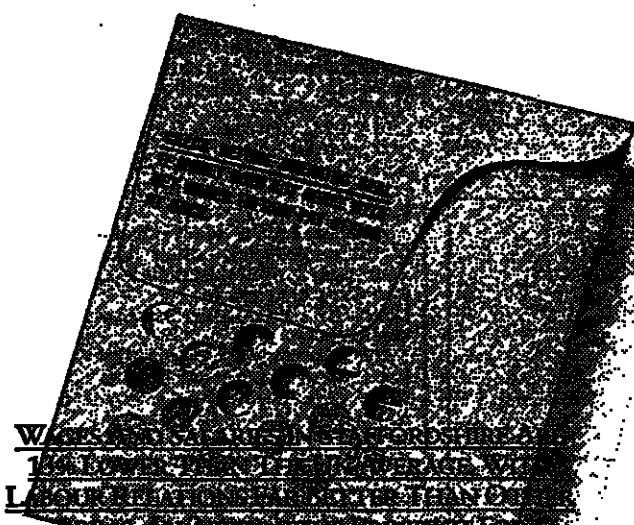
The ceramics industry: the six towns that make up the Stoke conurbation are among world leaders in the production of fine china.

Success with high-quality pottery exports.

Tourism developments: some surprising leisure projects in former industrial areas. PAGE 4



WITH BUILDING COSTS BELOW THE UK AVERAGE AND ALMOST 21% LOWER THAN IN THE SOUTH EAST, YOU GET A LOT MORE FOR YOUR MONEY IN STAFFORDSHIRE.



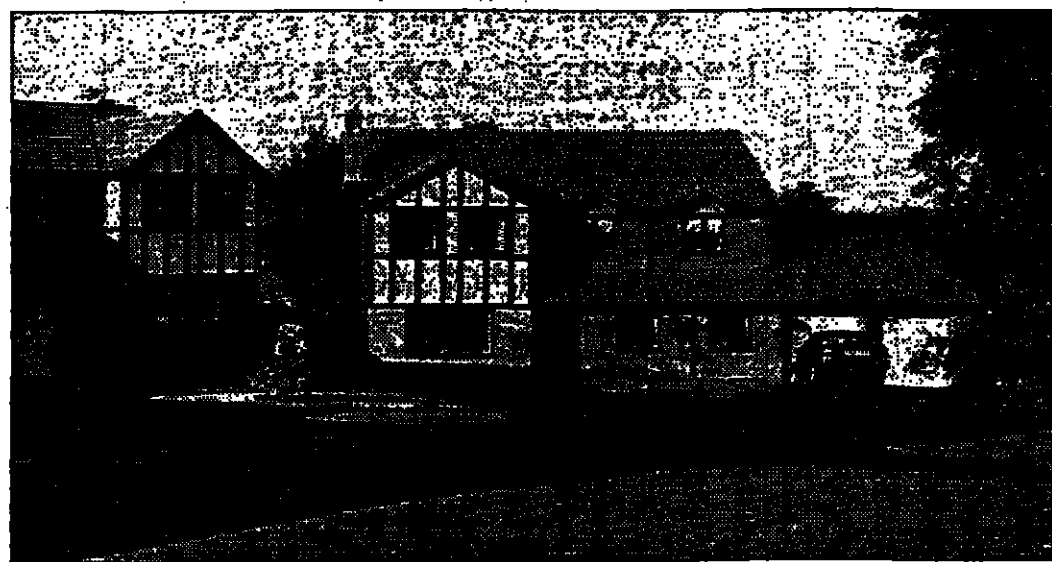
WORKING IN STAFFORDSHIRE YOU GET THE BENEFITS OF A LOW COST OF LIVING AND A HIGH STANDARD OF LIVING. STABILITY IN THE ECONOMY AND A HIGH STANDARD OF LIVING.



FOUR FIFTHS OF STAFFORDSHIRE IS RURAL, UNSPOILED LAND OF NATURAL BEAUTY WOULDN'T YOU RATHER DRIVE TO WORK DOWN LEAFY LANES THAN JAMMED UP TRAFFIC LANES?

STAFFORDSHIRE. IT COULD BE YOUR BEST MOVE YET.

"The ideal single point for the manufacturing area of mainland Britain, midway between London and Burton-on-Trent."



HOUSE PRICES IN STAFFORDSHIRE ARE 18% LESS THAN THE UK AVERAGE. WOULDN'T YOU LIKE TO MOVE UP TO A HIGHER STANDARD OF LIVING?

WITH EXCELLENT COMMUNICATIONS WITH THE UK, EUROPE AND THE REST OF THE WORLD, STAFFORDSHIRE HAS TO BE THE PERFECT PLACE TO CENTRE YOUR BUSINESS.

CONTACT KIM BAILEY AT THE STAFFORDSHIRE DEVELOPMENT ASSOCIATION TODAY AND FIND OUT HOW WE CAN HELP YOU MAKE THE RIGHT MOVE FOR YOUR COMPANY.

NAME: _____

POSITION: _____

COMPANY: _____

ADDRESS: _____

POST CODE: _____

TEL: _____ FAX: _____

Staffordshire
Development Association

THE BUSINESS ADVISORY CENTRE, 3 MARTIN STREET, STAFFORD ST16 2JH
TELEPHONE: (0783) 22121. FAX: (0783) 21226. PF 0140

ALL INFORMATION CORRECT AT TIME OF PUBLICATION. SOURCES AVAILABLE ON REQUEST.

STAFFORDSHIRE 2

Stewart Dalby looks at the town's changing employment scene

Burton still 'the brewing capital of Britain'

BURTON upon Trent is as closely associated with brewing as Stoke-on-Trent is with pottery.

For the first-time visitor, it is not hard to see why the image has stuck. Some of the breweries are close to the middle of town, near the station and the main roads in and out, and is thus the first feature one sees on entering Burton - while the pungent smell of brewing is, of course, unmistakable.

The reason brewing started in Burton is that there is something, literally, in the water. The monks of Burton Abbey, founded by Wolfric Spot in 1002 - found that the water from artesian wells around the town had a special quality which made it especially suitable for fine beers.

They did not know, at the time, what made it "special". Much later it was discovered the water was rich in minerals, notably calcium and magnesium salts.

In 1285, the beer from the

The number of large brewers, because of mergers, acquisitions and rationalisations, has come down to three. These are Bass, Ind Coope, which is part of Allied Lyons, and Marston.

Although brewing is a main employer, there are large concerns in other industries. Pirelli employs 1,700 people in Burton, and there other well-known national companies such as Tate and Lyle, BTR Silvertown, Triplex Lloyd which have a presence in and around the town. JCB is in nearby Uttoxeter.

Now, with Toyota setting up a car plant in Burnaston across the border in Derbyshire, Burton confidentially expects to see an influx of companies wanting to be near.

Toyota is expected to start producing in 1992 initially 100,000, and then 200,000 cars a year and employ 3,000 people, (see report on facing page).

Burnaston is less than four miles from Burton. Many companies are looking to set up along the dual carriageway A38 which goes past Burton directly to Burnaston. The expectation is the A38 will become a mini-industrial corridor. Some companies such as Ficoa, the Spanish automotive components maker, have already arrived. The company has made a £4m investment in Burton.

Component companies are expected to set up in and around Burton, hoping possibly to benefit from a Japanese-style, "just-in-time" compo-

ponents' delivery.

Toyota has yet to declare how it will get its supplies. But many believe it will go for a "just-in-time" system, whereby car assembly plants are fed with regular supplies from outside, rather than holding huge stocks on site.

Toyota's arrival in Burnaston has created a wider interest in the region. Companies in unrelated fields have realised that East Staffordshire is around Burton is a good investment location.

Land is cheap, communications are good, labour tends to

be cheaper than the West Midlands, housing is considerably cheaper than the West Midlands.

Business rates under the new uniform business rate are also thought to be cheaper in Staffordshire than Derbyshire. A study undertaken for the Staffordshire County Council estimated that rates overall had fallen by 1 per cent in recent years.

This was not true of all types of businesses. Retail businesses saw a sharp increase in rates between 1973 and 1988. But manufacturing companies had

seen a substantial drop.

A problem in the past has not been so much the price of industrial land, but its availability. Partly because of mixed ownership, and partly through lack of demand, very little serviced land has become available.

In order to hasten the release of land, the East Staffordshire District Council has set up an interim planning strategy, which could bypass some of the usual planning bottlenecks. The small committee set up to run the strategy has identified some 400 acres

would could be brought into use fairly quickly.

This includes some 150 acres Shoghill and Branton, and a further 10 acres which could be used at Burton under Needwood. These sites could form the basis of the A38 industrial corridor.

As for labour, although Burton has low unemployment of around 4 per cent, it has a greater than usual potential travel-to-work area.

Mr Fergus McMorrough, the Economic Development Officer for the East Staffordshire District Council, estimates there is a travel-to-work-area for 150,000. Burton's population is just over 60,000. A lot of people currently go south to Birmingham and to the West Midlands conurbation to find suitable work.

Many of these people might be glad to work closer to home - but one thing is certain: they will not want for a pint of bitter or lager if they work in the greater Burton area.

Brewers invest in new plant

BREWING in Burton goes back to the monks of Burton Abbey who started making beers in 1002. The relatively modern industry, however, dates from 1777, during the reign of George the Third, was quarrelling with the American colonies. William Bass, the owner of a local carrying business, decided to open a brewery in Burton upon Trent.

During the 18th century much of the export business was to Russia and Eastern Europe. The Baltic trade was brought to an end by the Napoleonic wars.

Michael Thomas Bass, William's son, had to find new markets. India provided the answer. A new beer was needed to slake the thirst of the thousands of British soldiers, administrators and their families who were being sent out as their colonial influence spread.

The beer had to be light, but bitter. The result was East India Pale Ale, later abbreviated to India Pale Ale then to plain IPA. The beer turned out to be an instant success and thousands of bottles and barrels were shipped out through Liverpool and Hull.

A fortunate accident developed the home market. In 1827 a cargo of 300 casks was wrecked in the Irish Sea. The salvaged casks were auctioned in Liverpool to pay the underwriter's costs. The buyers sold the beer over a wide area - and soon India Pale Ale caught on.

Michael Thomas died in 1827, and was succeeded by one of his sons, Michael Thomas the second, who turned out to be a great Victorian entrepreneur. Using the boom in the railways to the

fullest extent, he vastly expanded the business.

When William Bass first started the company his output was a few hundred barrels each year. By 1877, before Michael Thomas died, the company was producing nearly 1m barrels a year.

In 1962, Bass and Mitchell and Butlers, a large West Midlands brewers, merged, and 1967 joined forces with Charrington United Breweries to form Bass Charrington, and became the largest brewer in the UK. Later the word Charrington was dropped but the famous red triangle trade mark persists.

Today, Bass activities include hotels, off licences, bookmaking, amusement machine manufacture, squash clubs, snooker and squash clubs and leisure complexes.

In Burton, it is a large employer with 2,200 on the payroll. The commitment to Burton is great. Bass has opened and runs the Burton Brewery Museum which covers the whole brewing process. It recently invested £23m in a new high-speed canning process.

Ind Coope, the second largest brewer in Burton is part of the Allied Lyons group. It too, has a continuing commitment to Burton. Of Allied's six breweries in the UK, Burton is by far the largest according to 40 per cent of production.

Mr John Hayward, the commercial manager, says: "Allied has shown its commitment by investing £35m in the past six years in new facilities and improving old ones on this 76-acre site."

Part of the investment is in new production lines which means output of more than 2m barrels a year. Ind Coope employs 1,060 in Burton.

The third of the large companies in Burton is 37 per cent owned by Whitbread. Marston employs 500 people and produces some well-known beers, including the famous Burton Bitter.

S.D.

Road and rail communications

Networks are under strain

STRATEGICALLY, Staffordshire can have little complaint about its communications. The county is bisected north-south by the M6 motorway and the InterCity West Coast main rail line. Birmingham International Airport serves the south of the county, Manchester Airport the north.

The dualled A38 links the West Midlands to Derby and the M1, via Lichfield and Burton upon Trent, while the A50 Derby-Stoke-M6 route is in the process of being dualled. Only Leek, in the relatively isolated Staffordshire Moorlands, is any distance from national networks.

But these networks are under strain. Between Birmingham and Manchester the M6 carries traffic volumes so heavy - up to 100,000 vehicles in a 24-hour period - that the Department of Transport (DfT) is implementing a £480m programme for widening the motorway to four lanes in each direction between Junctions 11-20 (Cannock to Lymm).

Construction work could start in 1992, with completion by the middle of the decade.

The DfT also believes Birmingham-Manchester to be ripe for a private-sector toll road, as suggested in next year's consultation paper "New Roads by New Means". Early in April the Transport Secretary, Mr Cecil Parkinson, invited outline tenders from consortia to build and operate such a road, setting an application deadline of June 29 and an expected invitation deadline of December 1990.

In other words, the Transport Secretary, under political pressure to provide more road-

space, is pushing ahead with the Birmingham-Manchester concept in all haste, following a consultation process which, Mr Parkinson claimed, showed "wide support" for the Green Paper's aims.

However, the idea has not been so warmly received in Staffordshire and Cheshire, where DfT scouts are already investigating potential road lines on both sides of the M6. In the words of one expert, the proposal has blighted both counties.

Environmental groups are poised to unify protests once plans are more firm. Staffordshire County Council has yet to take a position.

The first private-sector toll route is already under way in the West Midlands. The Birmingham Northern Relief Road runs largely through Stafford-

shire and will form the north-east segment of Birmingham's outer motorway box. In April, Mr Parkinson named three short-listed consortia who must return tenders by October 3.

The winner will be announced early next year with completion envisaged by the mid-1990s.

This stretch of motorway is seen by the West Midlands Development Agency as cementing the links between the West Midlands conurbation and Derby, increasing the competitiveness of the local automotive components industry in supplying Toyota at Burnaston.

British Rail's West Coast electric service, once the benchmark of modernisation, has been eased by the East Coast Kings Cross-Leeds-Newcastle route.

By European standards, the two-hour journey from Euston to Stoke is slow. More importantly, the Government has yet to decide how, or even if, high-speed infrastructure between the West Coast and the London termini and the Channel Tunnel will be financed.

The international passenger train sets due to run between Manchester and Paris or Brussels will call at Stafford (not Stoke) before being linked with the Birmingham sets at Rugby, but could circle London at an ignominious crawl via Willesden Junction.

Despite loss of face, North Staffs has the comfort of being the closest conurbation to Crewe, and the opportunity to

service an overnight market which extends to Lyon or Frankfurt. Conversely, of course, Continental firms will be able to reach Staffordshire with equal ease.

Communications within the Potteries are more complex. The conurbation is unique in that it doesn't have a natural focus - Hanley was a created "city centre" much to the disgust of Stoke itself. Tunstall, Burslem, Fenton and Longton - but has retained thriving industry throughout its urban sprawl.

Constant heavy traffic beats its way through streets designed for the horse and cart. Commuters must queue morning and night in single lanes at unsighted crossroads. Buses get stuck in the jams. And environmental conditions for communities built around

factories bearing household names, like Wedgwood and Doulton, are increasingly unacceptable.

The ceramics pot-banks cannot be moved out on to green field sites; for better or worse, people will go on living near them. So something has to be done about North Staffs' traffic. And although Stoke-on-Trent City Council believes itself particularly poorly served by the system under which approved local road schemes get Transport Supplementary Grant (TSG) funding from the DfT, there is a growing acceptance that more roads will not in themselves solve the problem.

Last January, Mr Parkinson met a delegation of North Staffs MPs armed with briefing papers supplied by the council. These demonstrated at Stoke's TSG spend for 1990-1 per head of population (£1.17) compared unfavourably with all-comers.

The county-wide spend for Staffordshire is £2.82 per head; English shire counties are spending £2.95 per head. But metropolitan districts with similar populations to Stoke are in a different spending league: Newcastle upon Tyne, for instance, has £8.92 per head, Salford £10.65.

Mr Parkinson was impressed. He informed MPs that he would take a favourable view of increased roads capital spending bids for next financial year.

Staffordshire has responded by compiling a £20m shopping list compared with £15m last year, including several new North Staffs routes, for its 1990-91 submission.

Simultaneously, the county council is joining with Stoke on Trent City Council and Newcastle-under-Lyme Borough Council to fund a £100,000 study of Light Rapid Transit

FINANCIAL TIMES
1990 RELATED SURVEYS

	March 15
COVENTRY TRANSFERRING RELOCATION BUSINESS PARKS	April 4
SWINDON BIRMINGHAM & WEST MIDLANDS FINANCIAL SERVICES	April 26
COLCHESTER SOUTHAMPTON BRADFORD KENT CAMBRIDGE	May 11
	May 25
	July
	July
	September
	September
	November

FOR ADVERTISING INFORMATION CALL CLIVE BOOTH
071 873 4162

FOR EDITORIAL INFORMATION CALL DAVID DODD
071 873 4090

Hacking Ashton, Jervis & Co.
Solicitors

Providing a Legal Service to businesses in Staffordshire - and the rest of Europe

Berkley Court, Borough Road, Newcastle-under-Lyme, Staffordshire, ST5 1TT
Tel: (0782) 715555 Fax: (0782) 715566/715577

Associated Offices:
London
Glasgow
New York
Paris
Hamburg

WE'RE RESPONSIVE.



Decisions. Decisions. Decisions.

In the international arena, they can take forever.

So while you're sitting on the sidelines twiddling your thumbs, your competition is out there. Wheeling and dealing.

But with Tokai Bank on your side, this problem simply does not exist.

We're one of Japan's largest banks. With offices, affiliates and subsidiaries in 25 countries. But for you, the important point is that each of our regional headquarters has great autonomy and local knowledge.

So we can anticipate your every need. And respond. Just like that. After all, your goals are our goals.

Get to know us better. We'll help you clear the hurdles in your path. And give you what you look for in an international bank.

All the right answers. Right away.



INTERNATIONAL BANKING HEADQUARTERS: 6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo, Japan. Tel: 03-242-2111. Fax: 03-245-14879. REGIONAL HEADQUARTERS, AMERICAS: Park Avenue Plaza, 55 East 52nd Street, New York, NY 10055. U.S.A. Tel: 212-339-1200. Fax: 212-339-2089. REGIONAL HEADQUARTERS, EUROPE: 99 Bishopsgate, London EC2N 3JA, U.K. Tel: 0873754. TOKAI C. Tel: 071-263-6500. Fax: 071-426-0020. REGIONAL HEADQUARTERS, ASIA & OCEANIA: 6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo, Japan. Tel: 03-242-2111. Fax: 03-245-14879.

IF YOU WANT HARDER WORKING ADVERTISING, GET A HARDER WORKING AGENCY.

(The Staffordshire Development Association Ltd.)

BIRD & MOORE

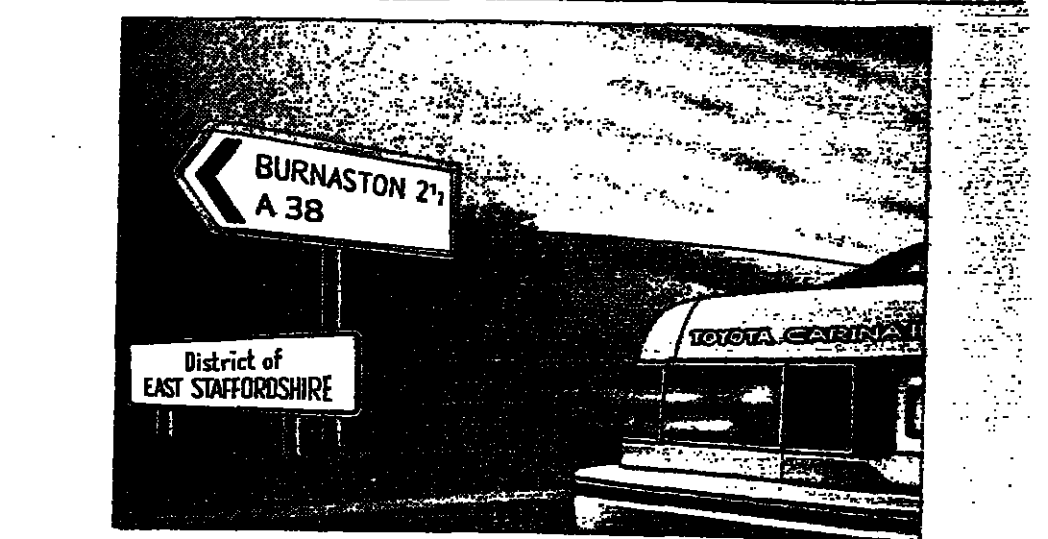
Contact Neil Moore, Managing Director, now for the agency profile. Bird & Moore Limited, Advertising, Marketing and Public Relations, The Lichfield Brewery, 56 St. John Street, Lichfield, Staffs. WS14 9DX. Tel: (0543) 268792. Fax: 254197.

British COAL enterprise

HELPING CREATE JOBS WITH

ADVICE, LOANS, EQUITY, PROPERTY, TRAINING AND STAFF RECRUITMENT

FOR FURTHER DETAILS CONTACT JOHN L. DUTTON ON 0925 417388



There'll never be a better time to make the right move.

For companies planning to expand or relocate, East Staffordshire has it all.

A central location, excellent communications (locally, nationally and internationally), greenfield sites, a skilled workforce, a 'quality environment', and - now - Toyota's European assembly plant right on our doorstep.

Send for our new information pack today and find out more about the excellent business development opportunities in East Staffordshire.

EAST STAFFORDSHIRE DISTRICT COUNCIL

ECONOMIC DEVELOPMENT SERVICE

Town Hall, Burton upon Trent, Staffordshire DE14 2EB. Telephone: Direct Line (0283) 511942 and (0283) 45454 Extn. 2621. Fax: (0283) 35412.

Just in time

STAFFORDSHIRE 3

Robert Waterhouse highlights Japanese car-maker's plans

Well placed to benefit from Toyota's arrival

WHEN assembled worthies flashed silver spades at the Burnaston Toyota plant's ground-breaking ceremonies on June 4, few failed to note that earth-movers had beaten them to it by millions of cubic feet.

While Derbyshire's engaging leader County Councillor David Bookbinder continues to make the headlines, few fail to note that Staffordshire is ideally placed to benefit from Toyota's arrival. The county sits between Derby and the West Midlands conurbation, astride the all-important A38, "just-in-time" components suppliers read on...

A boom in Japanese business car transactions and packaged trade missions has yet to produce firm contracts anyone owns up to, or many inward investment schemes.

Toyota deals a friendly hand in such matters, issuing advice and encouragement to potential partners. It is anxious to prove "a good European," despite French disbelief. The company prefers not to encourage a new diaspora of Japanese investment, but rather to effect arrangements and joint ventures with firms already established here.

Toyota has completed its initial survey of 2,000 European suppliers, and is in the process of finalising a shortlist of 300. The stakes are high. Toyota UK's chairman, Mr Junji Numata, is on record as saying that spin-off jobs could be three or four times that of direct employment at Burnaston (an estimated 1,900 by 1995 when Phase One is complete and 3,500 with Phase Two).

When commercial production begins in August 1993 Toyota has a commitment to using 60 per cent EC-generated content, a ratio rising to 80 per cent two years later.

Staffordshire-based companies which stand to benefit include Pirelli at Burton-on-Trent, Michelin at Stoke-on-Trent, Evode at Stafford, Rists (Lucas Body Systems) at Newcastle under Lyme and Tubex at Hixon.

Because it does not have the concentration of automotive suppliers to be found in Bir-



The shape of things to come: a Toyota production line. A review of 2,000 European suppliers is under way.

mingham, Coventry and parts of Warwickshire, Staffordshire sells itself as a manufacturing culture in easy-going smallish towns surrounded by attractive countryside.

There are, however, two substantial constraints to inward investment which Mr John Brisby, the county's economic development officer, and his colleagues must address. The first - apparent on a quick scan around the county - is the scarcity of serviced sites. The second is low unemployment - about 4.5 per cent in North Staffs and down to 3.5 per cent in the Burton-Lichfield A38 corridor.

Competition for skilled labour is greater than at Coventry, where unemployment still stands at nine per cent, or Birmingham, whose jobless are counted in double-figures in some inner areas.

Mr Brisby says that land issues are being urgently addressed. The county recently compiled an industrial land dossier and is holding a seminar on the subject this summer.

Top-grade sites are available at Fradley Business Park, north of Lichfield (35 acres), and Centurion Park, Tamworth (38 acres). East Staffordshire District Council together with Bass Developments are rushing the 150-acre Branton Business Park to market.

The greenfield site between the A38 and Bass's brewing tower still lacks access roads but Ficos, the Spanish manufacturer of car accessories, has already signed for four acres nearby. The problem of owners holding onto potential develop-

ment land seems to be receding as values reach a healthy £200,000 per acre.

On employment, Staffordshire believes inward investors prefer to join a prosperous and confident community so long as labour is not under the sort of pressures seen in the South East. Mr Brisby points to an availability of school leavers, and to the potential of married women returning to work.

Staffordshire, he says, has strong manufacturing traditions in the process of being updated and modernised. New investment fits into this pattern - "the balance is about right," he claims.

Mr Stephen Daniels, East Staffordshire's principal economic development officer, emphasises that Burton, because of its pivotal position between the East and West Midlands, falls within a 15-20 mile range of a huge workforce.

It is tacit acceptance that investment may bring riches to the host communities (particularly those fortunate enough to own land like the 100 acres of Fatholme Farm, between Burton and Lichfield, where the district is minded to grant planning permission for a business park), but that employment may have to come from further afield.

The first Japanese automotive company to establish a Staffordshire base, NTV Bearings, recently moved from Burntwood, near Cannock, into a 45,000 sq ft office and warehouse complex at Fradley Business Park, from where it co-ordinates UK sales worth £12.5m.

Shoiva Plastics, trading as Showpla UK, has opened a manufacturing plant at Cannock, whose second product line will supply the automotive industry. But attracting investment by the main Japanese automotive operatives - perhaps fewer than ten will follow Toyota to Europe - can be a long, painstaking business fraught with danger. For their own, understandable reasons, Japanese corporations hate publicity until a deal is signed.

The case of Oghara, the steel manufacturer expected to supply car body pressings to Toyota, demonstrates such dangers. Following months of negotiation, Oghara was apparently about to sign for a site at Stone, near Stafford, when the news hit the local press in April. Problems associated with the site, widely reported, put paid to the deal. Despite talk about Spain as an alternative, Oghara is still believed to be interested in Staffordshire - though lips are sealed on the subject.

If the A38 corridor is hastily preparing for battle, the lines on the A50 corridor between Derby and the M6 are far from being mobilised. This is partly because sections of the A50 remain tortuous, with the Blythe Bridge to Queensway bypass of Meir, Longton and Fenton still at least five years away.

Quality industrial land is proving harder to release at Stoke and Newcastle than further south. But the county recognises an opportunity. North Staffs is directly on a line drawn between Burnaston and Toyota's engine plant at Deeside, North Wales.

In the end, the volume of Far East, American and Continental European component investment in the Midlands could depend on how quickly a traditionally parochial industry becomes more global in its perceptions. West Midlands component manufacturers still predominantly sell to UK assembly lines. The growing Japanese hold over UK production - at Sunderland and Swindon as well as Burnaston - comes as a challenge to British quality and enterprise.

Burton upon Trent is Pirelli's UK powerbase

A tyre-maker with panache

EIGHT YEARS ago, in the depths of the recession, Pirelli was forced to review its UK operation. Four sales - a slipping share of a slithering market - allied to ageing production techniques left Italy wondering about the future of manufacturing in Britain.

The decision to re-invest at the company's Burton on Trent headquarters and satellite Carlisle factory, 245m between 1983-89, led to new processes and brands, revolutionary working practices, and productivity second only to Brazil in Pirelli's world league. Costs were stabilised at around 1982 levels.

Burton has been Pirelli's UK powerbase since pre-war days. The panache which the company brings to design and marketing, reflected in its newly-

clad office building, sits unself-consciously beside 1930s semis, off the Derby Road.

This particular example of inward investment excludes Midlands solidity down to the company's patient male receptionists. Pirelli employs some 1,600 people at Burton, and currently has a labour turnover of only one per cent annually.

Whether such stability can be maintained when Toyota UK opens at Burnaston, only four miles up the A38, is another matter. Toyota's presence will raise the premium on automotive skills shown in abundance at the Pirelli factory, where the arcane process of tyre production still involves a high proportion of human judgment.

Pirelli's Marketing Manager (Tyres), Mr Peter Tyson,

admits that Toyota's arrival nearby is a major opportunity. Pirelli has, of course, been to Japan. In this context, and there is ongoing dialogue.

Mr Tyson hopes, at some point to cement relationships, but says "nothing is guaranteed".

Toyota already use Pirelli tyres for motorsport, and Mr Tyson notes mutual admiration between Italy and Japan - style combining with thoroughness and efficiency. The English contribution comes as a relatively low-cost centre, and valuable quality endorsement by Original Equipment (OE) clients, principally Ford.

Pirelli's new-generation P2000 and P4000 low-profile car tyres are fitted to the Rover 214 and 216 range. The company was "Supplier of the Year" to Jaguar in 1987 and 1988, and became the first UK tyre manufacturer to receive Ford's Q1 preferred quality award.

Pirelli supplies 32 per cent of Ford's UK-manufactured cars but 80 per cent of Ford's performance car tyres. Pirelli expects to win 23 per cent of the UK's OE sales market of 7.7m units in 1990 and is a major influence over customer-choice when it comes to replacements. Some 40 per cent of total UK tyre manufacture goes for export.

Like Ford, Pirelli has computerised its factory-floor. The workforce does not sign or clock in - it logs onto the mainframe, which responds with information about the day's tasks and targets. This same computer keeps a record and print-out where applicable - of every batch operation. Quality control processes, essential with tyre building, can be back-checked to individuals.

Mr Mike Brown, a works manager, says that innovative practices, including seven-day round-the-clock working, were brought in without any loss of production. Information, openness and involvement has, he suggests, paid dividends. Quality circles equip and motivate, but learning to recycle waste is just as important for the bottom line.

Mr Brown spends a large proportion of his time shepherding visitors, particularly customers, round the Burton plant. It's a two-way public

relations act - "we like customers to see the factory," he says, "but we also like the factory to see customers".

Pirelli manufactures any of 300 different car tyre shapes and sizes on a just-in-time system activated by sales orders. Until it is cured, rubber has a fairly short shelf-life.

The Burton plant produces some 200 different rubber compounds from a combination of natural and synthetic materials, of which 50 might be used in an average day. Each car tyre demands about 12 different rubber compounds, while truck tyres need 18.

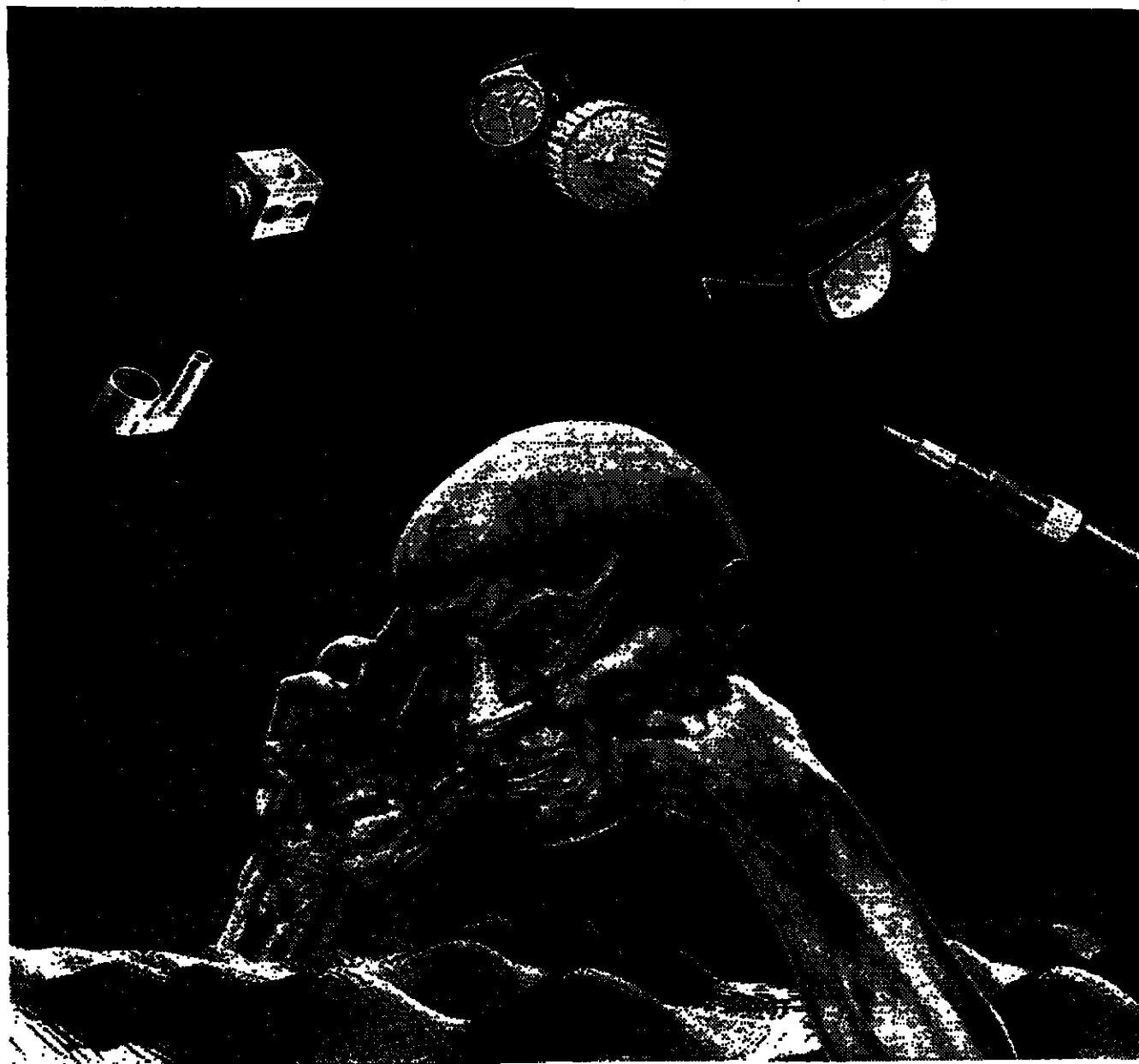
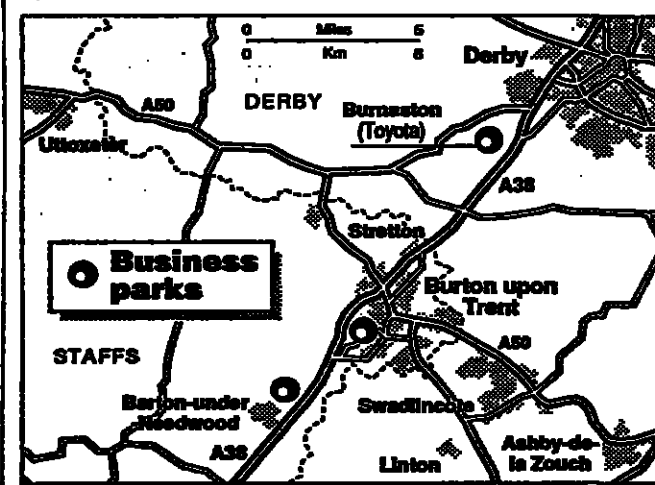
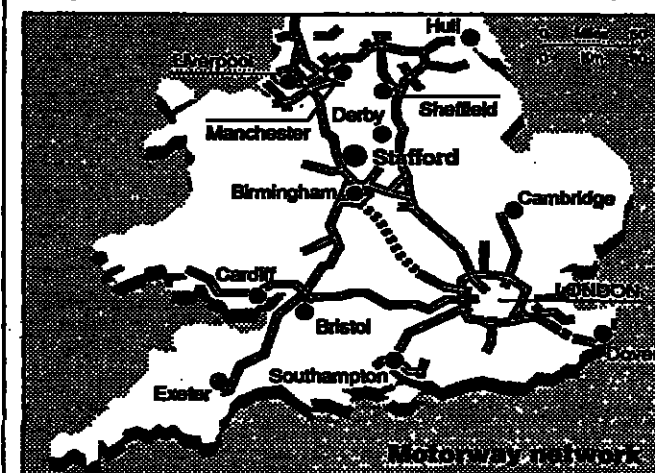
Truck and bus tyre manufacturing is a small but important part of the Burton operation, a factory within a factory. With less than ten per cent of the UK truck market share, Pirelli's hopes are pinned on its latest Zero Degree process, so called because tyres made of which 50 might be used in an average day. Each car tyre demands about 12 different rubber compounds, while truck tyres need 18.

Recent speculation on hostile bids to prise Pirelli away from its founding family and their protective syndicate of Italian industrialists does not perturb Burton-on-Trent - "one of the world's greatest mysteries is who owns Pirelli," says Mr Tyson.

Burton sets its standards against the company's other European plants, and its ability to compete with Michelin and Goodyear.

As the car market moves inexorably towards "quality" and customisation, Pirelli's elegance - a curious virtue for re-inforced rubber linking steel with tarmac - is seen as a winner.

Robert Waterhouse



New Ideas, New Performance Polymers, New Technologies

New technologies require new performance polymers. Here EMS is the specialist. Using EMS performance polymers, our customers manufacture new products: superior, more sophisticated and more successful products. Our customers - they are electric and electronics companies and the automotive, packaging, sports and leisure industries.

With our worldwide experience and technical support EMS leads the way in solving problems wherever the highest standards in performance polymers are required.

EMS the name you can trust. A Swiss Company with guaranteed quality, reliability and customer service.

For performance polymers:

EMS-CHEMIE AG
CH-7013 Domot/Ems, Switzerland
Phone 081/36 61 11, Fax 081/36 74 01

EMS-GRILON (UK) Ltd., Astonfields
Industrial Estate, Drummond Road
Stafford ST16 3 EL, Great Britain
Phone (0785) 59121, Fax (0785) 213068

EMS

PERFORMANCE POLYMERS FINE CHEMICALS ENGINEERING

A 120.03 H.E. Abächerli BSW Sculpture: H.J. Umboch, Der Denkmäler

SATISFYING TOYOTA'S THIRST FOR WATER

In December 1989, South Staffordshire Water Company was awarded the £5 million contract to supply infrastructure and water to the new Toyota Plant. The company was delighted to win the contract against such strong competition as Severn Trent plc and other companies.

Committed to pioneering new techniques in water purity and supply, the contract has only served to reinforce the company's reputation as a progressive, go-ahead company at the forefront of water technology.

It is estimated that the Toyota plant will require 7 megalitres of water to be supplied each day representing around 8.6% of The South Staffordshire Water Company's total metered water supply.

Satisfying this need has called for a considerable investment on the part of the company, in order to provide a new water network including mains and booster stations.

The first stage of this work was completed in February this year and involved laying a new 300mm main through the Burnaston site and under the A38 to connect with an existing 15" main supply. Using a technique known as pipe-ramming, work was carried out without any disruption to traffic.

Future plans include laying a 500mm dia main from the Outwoods Reservoir, across the A38, River Dove and Trent & Mersey Canal, to the Toyota site and installing a new booster station alongside the A38.

Meeting Toyota's demanding requirements is just one example of the company's many achievements. From its headquarters in Walsall,

the company serves an area of 600 square miles and provides 360 megalitres of water daily to around 1½ million customers. With one of the best quality control laboratories in the country, the company has the capability to meet stricter EC water quality directives and has also recently commissioned the UK's first full-scale nitrate removal plant at a cost of nearly £3½ million. Concern for the environment has led to the provision of angling, sailing, diving and other leisure pursuits at its reservoirs, whilst a number of Third World contracts bears testimony to the company's growing international status.



Satisfying water needs at home and abroad, South Staffordshire Water Company is playing its part in preparing for a better future.

THE SOUTH STAFFORDSHIRE WATERWORKS COMPANY
Green Lane, Walsall, Staffordshire WS2 7PD
Telephone 0922 38282

STAFFORDSHIRE 4

Stewart Dalby highlights some surprising leisure projects in former industrial areas

New developments in tourism

STAFFORDSHIRE, like other counties, towns and cities associated with declining industries in the north of England, has found that in seemingly redundant premises and unused land it still has an important resource, which can contribute to the new and growing industries of tourism and leisure.

Former belching factories, empty warehouses, and dark satanic mills can be - and have been - turned into museums and heritage centres which people want to visit. Old, worn out sites have become leisure centres.

The benefits to the local economy of creating something new in the tourism/leisure field from derelict areas was brought home to Staffordshire by the National Garden Festival in Stoke-on-Trent in 1986.

It cost £9.37m to stage the four-month festival, although this was not the final cost of running and operating all the events. Some £5.1m came from the central government and almost all of this was spent on reclaiming the 164-acre site. The rest came from city and county councils. The festival had all kinds of activities and displays, including a large cable car system, 17 theme gardens, pottery exhibitions, a marina and nature trails and evergreen trails.

Around 2.2m people visited the festival. It did not quite cover its costs, but the point was made: apart from providing an incentive for the reclamation of derelict land, it also meant a higher quality of landscape than would normally have been the case. It also created some 430 long-term jobs and pumped millions into the economy. Most important of all, however, its legacy was a £100m development on the expanded 177-acre site.

The developer is a local one, St Modwen, and when completed the area will include an £11m leisure centre operated and managed by the Rank Organisation. This will embrace an eight screen cinema, a 30-lane bowling alley, a 120-metre ski-slope, and a ski lodge. There will be a 180-room four-star hotel, retailing and office complexes and some residential development.

Few towns want permanent garden festivals since they use too much land, require too much attention and give too little return over the long-term.

However, there is little doubt that in this case the festival was a catalyst for the development of Festival Park.

Mr Bryan Carnes, the Director of the North Staffordshire Chamber of Commerce and Industry, whose office is in Festival Park, says simply that "without the garden festival we would not be sitting here now."

If the festival itself was a temporary phenomenon, Staffordshire is dotted all over with museums and exhibitions testifying to its industrial past. In Stoke, there is the Gladstone Pottery Museum where there are demonstrations of traditional skills in the original workshop. The Wedgwood company has a visitor centre at Barlaston, just outside

Stoke. In the past year, it had 180,000 visitors many of them groups of American matrons and senior citizens and clusters of Japanese as well as French and German visitors.

In Burton, there is the Bass Museum of Brewing which was established in 1977 to celebrate the company's bi-centennial. Housed in old maltings it follows the brewing process right

through and has steam engines, dray horses, a Victorian bar, and audio visuals detailing the history of the Bass family. Burton also has the Heritage Brewery Museum which, it is claimed, is Britain's first working brewery museum. There is a mining museum at Chatterley Whitfield in Stoke; plus glass blowing at Tutbury, close to Bur-

ton, and various other arts and crafts centres, as well as factory shops.

Important though industrial heritage is to the growing tourism, there are three other areas of significance:

First, like York or Chester, the county has places of great historical interest. Lichfield has a 12th century Cathedral and at Tutbury, the remains of a 15th century castle where Mary Queen of Scots was imprisoned. The Tamworth Castle Museum is thought to house one of the few surviving Shell Keeps in Britain. Shugborough is the ancestral home of Lord Lichfield, and has a good collection of 18th century paintings, silver, ceramics and French furniture.

Second, alongside the stately homes and castle have sprung up (again, like Chester and York) a number of modern visitor attractions. Chester has its zoo and York its Jorvik Viking centre. Staffordshire also has Alton Towers. This, it is claimed, is Europe's premier leisure park with over 100

attractions themed into the former estate of the Earls of Shrewsbury. Alton Towers attracts around 2.6m visitors a year with the main "season" lengthening all the time.

There is also Drayton Manor Park and Zoo. This is set in a 160-acre park with over 40 rides and attractions.

Third, there are the traditional outdoor holidays. Arnold Bennett, Stoke-on-Trent's famous writer described Staffordshire as "England in little, lost in the midst of England." Staffordshire is largely rural. It has the Peak District National Park, the Staffordshire Way, which is a 92-mile walk and Cannock Chase, a former hunting park.

With all this - but excluding the various water parks and leisure centres in the main towns - Staffordshire has a tourism industry which in 1987 had a turnover of £100m, and employed around 16,000, serving 10m visitors. Half of the revenue came from day visitors, with £3m from staying visitors and around £11m from foreign visitors. Although tourism is not a major employer for the county, it is nevertheless a significant sector. It emphasises the point that the days when "industrial" meant "tourism" and "tourism" was "tourism" - and never the twain shall meet - is long gone.



Young people at Alton Towers theme and leisure park and, right, a tranquil scene at Minster Pool, Lichfield



CERAMICS INDUSTRY

A world leader in fine china

THE SIX towns which make up the Stoke-on-Trent conurbation are famous for a number of reasons. It is the home of two Football League clubs, Stoke and Port Vale. It is where one of Britain's most famous footballers, Sir Stanley Matthews came from. It also produced the distinguished writer, Arnold Bennett who chronicled the commonplace happenings of the ordinary folk in the area.

But mostly it is indelibly linked to the potteries industry. The image of bottle kilns belching smoke over rows of back-to-back houses, as captured in Victorian prints and recorded by Bennett, has given way to a modern technological industry. But the identification remains strong.

According to the City of Stoke-on-Trent Industrial Handbook, archaeological discoveries now preserved in the City Museum and Art Gallery, there is evidence to suggest that pottery-making activities were in existence in the early

Bronze age and at the time of the Roman occupation. Other documentation shows that in the 13th century coal was being extracted to fire the potteries kilns. The three essential ingredients of the embryonic pottery industry - coal, water and clay - were immediately to hand in and around Stoke.

As a cottage industry, pottery got underway in the 17th century, when Burslem became the centre of the "but-terpot" industry, making tall cylindrical containers for market towns throughout the Midlands. During the 18th century, tea-drinking became very fashionable, and porcelain cups were preferred by those who could afford them. As a result,

porcelain was imported in greater quantities forcing British manufacturers to compete with this fine-bodied ware.

The Stoke potters answer to matching the characteristic whiteness of china began with a mix of fine sand or calcined flints with local clay followed by a change to white pipe clay from Devon and Dorset.

The final solution, however, lay in the discovery of china clay and china stone in Cornwall which was shipped to Liverpool, then by river, canal and road to Stoke-on-Trent.

By around 1780, the fine porcelain was being made in the district, and by 1800 bone china was being produced by a number of local manufacturers.

Before then, related manufacturing and the advent of steam power meant that more and more factories related to pottery had sprung up. The improvement in communications in the 19th century saw the industry further expand.

By 1885, 400 factories employed around 50,000 people who collectively were producing 194,000 tonnes of ware.

The most recent and arguably the greatest shake-out has taken place over the past ten years, starting with the recession of the early 1980s. Probably some 20,000 jobs have been shed from the white-ware ceramics industry. There are now around 36,000 people employed in the white-ware

industry, which covers domestic and table ware, ornamental figurines and trinkets, and tiles and sanitary-ware.

If non-white-ware goods and related engineering and marketing activities are included then probably 70,000 people are employed in the ceramics industry. It is easily the dominant industry in Stoke.

The sector has rationalised considerably. The British Ceramics Manufacturers' Federation now has 65 members compared with 300 a few years ago - this is only a rough guide since not all ceramics concerns are members. One of the giants Wedgwood, for example, is not a member.

A number of smaller concerns did go under in the early 1980s, but others did not. Aynsley China, was part of the Waterford Group until a management buy-out worth £17.5m in 1987. The group employs 850 and is growing. Another company which was formed in 1981 and has grown dramatically is Astral International which specialises in decorative telephones and table lamps.

The big three of white-ware ceramics are Royal Doulton, which includes the Minton and Royal Crown Derby ranges, Wedgwood, and Royal Worcester Spode. Not all of Royal Worcester is in Stoke, of course. But all three have close links with the potteries area.

The industry has sales of around £860m worldwide, a breakdown of these sales emphasises that while Stoke and its companies are dominant in the quality, fine china sector they are not so prominent in mass tableware markets or in tiles or sanitaryware. Of the total sales worldwide

of \$857m for 1988, some \$493.7m were accounted for by fine quality table ware, and giftware, figurines and so on. Tiles and sanitary-ware combined amounted only to slightly more than half this at £266.8m.

Not are the Stoke companies as yet heavily involved in industrial ceramics. In 1985, sales of industrial ceramics were worth £76.7m of which £24m were exports.

Mr R.O. Collins, the Industrial Development Officer at the Stoke City Council estimates that there is a world market worth £20bn - "at the moment, the Japanese have 50 per cent of the market; and the US 40 per cent. Ceramics have a wide use in industry, in aircraft, in defence, even in cars."

Stoke, with its tradition of skills in ceramics, obviously has the potential to expand in this field. The city is involved in research through Ceram and through Staffordshire Polytechnic.

Ceram Research, the industry's independent research organisation which is based in



There are now around 36,000 people employed in the white-ware industry, which includes domestic tableware, ornamental figurines as well as sanitary-ware and tiles.

Stoke, is managing a range of products, some funded by the European Commission. Ceram will look at developing among other things, composite reinforced ceramics and composites - materials midway between metals and ceramics that will allow more efficient joining of metals in ceramics.

Stewart Dalby

Success with high-quality exports

THE BRITISH ceramics industry at the quality-end of the market is dominated by two giants.

Royal Doulton China, which is a subsidiary of the Pearson Group, claims 40 per cent of all English China output and some 50 per cent of Britain's ceramic sculptures.

Put another way, sales in 1988 were £201m out of a total of just under £500m. Some 50 per cent of what Royal Doulton produces is exported.

Wedgwood accounts for 25 per cent of all British ceramic tableware and for 25 per cent of its exports.

Both companies have long pedigrees and close associations with Stoke and "the potteries." Wedgwood was founded by Josiah Wedgwood

in 1759. He was the youngest of the 13 children of Thomas and Mary Wedgwood of the churchyard pottery in Burslem, Staffordshire. Wedgwood has been part of the Waterford Wedgwood group since 1986.

The three oldest companies within the Royal Doulton group can also trace their histories back hundreds of years, although Royal Crown Derby founded in 1748 was not originally a Staffordshire group.

The Minton company was founded in 1793 by Thomas Minton and developed by his son, Herbert. It dominated the industry during the middle years of the 19th century. The Doulton group has its origins in John Doulton who, in 1815, invested his life-

savings in a small Thames-side pottery in London. Sixty years later his son moved to Stoke.

Royal Doulton is not only the biggest in terms of sales, it also employs the most people. In 1989, Royal Doulton employed 9,000 in its 11 factories and distribution companies worldwide.

Wedgwood employs 7,000 in its 13 factories at home and abroad. A distinguishing feature of Royal Doulton is that it does not manufacture abroad.

Not only is Royal Doulton, with a product range of 40,000 items, the largest fine china maker, it is also, according to Mr Stuart Lyons the Chairman and Chief Executive, the most successful - "in 1989, we increased our trading profit by 36 per cent to £23m.

"Our return on capital employed rose from 15.5 per cent to 22.5 per cent. "I consider this quite an achievement at a time when companies like Laura Ashley and Coleridge are having great difficulties.

Royal Doulton has experienced the growth for three reasons, according to Mr Lyons: □ First, it has invested heavily in

new manufacturing technology. Although this meant a shedding of workers a few years back the numbers are now rising.

□ Second, it has paid great attention to design, expanding the range in places.

□ Third, it has continued to develop its distribution network at home and abroad.

The last two factors of design and distribution are especially important. The British companies have a strong, almost unassailable position in the domestic market because in the UK, bone china is considered a British product.

But competition in the main export markets - the US and Japan - is keen. West German and Japanese companies are continually making inroads in these major markets.

"The design demands are different in the various markets," says Mr Lyons. The Japanese, for example, are keen on intricate detail, while the Americans favour designs they can easily associate with England, like traditional rose patterns.

S.D.

Wedgwood

a living tradition for 230 years



- Founded in 1759 by Josiah Wedgwood FRS "Father of English Potters".
- Internationally renowned brand names - Wedgwood, Coalport, Creative Tableware, Mason's Ironstone.
- Wedgwood Group accounts for about 25% of the British ceramic tableware industry's output, and for about 25% of its exports.
- Unique combination of modern technology and traditional craft skills.
- Worldwide marketing and distribution operations - UK, Europe, North America, Japan, Australia, Hong Kong, Singapore.
- Twelve factories within North Staffordshire, employing around 6,000

Waterford Wedgwood plc, Barlaston, Stoke-on-Trent, Staffordshire

12% NET INTEREST
With Instant Access

For accounts of £50,000 and over The Hanley now offers an exceptional 12% pa net (equivalent to 16% gross*) with instant access if the balance of your account remains at £5,000 or more.

For those accounts between £25,000 and £49,999 an equally attractive 11.80% pa (equivalent to 15.73% gross*) is available.

Why not call at any Branch or Agency now or contact our Head Office on 0782 208733 for details.

*To payers of basic rate tax @ 25%

The Hanley
ECONOMIC BUILDING SOCIETY

Granville House, Chesapeake, Hanley, Stoke-on-Trent, ST1 1EX Tel: 0782 208733

A member of the Building Societies Association

Services for Staffordshire

Business information Company training
Labour market surveys Science Park
Conference facilities Languages Unit
Technological consultancy Sports facilities

Contact: Mr Philip Boden

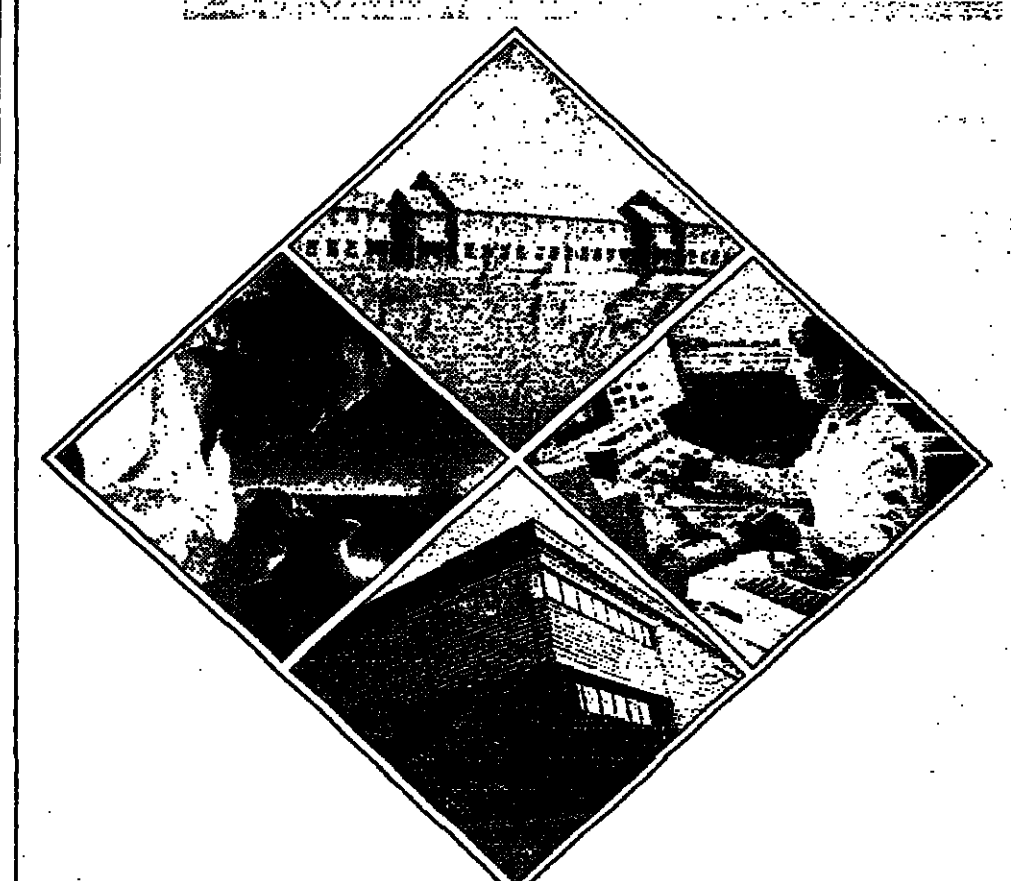
Keele University

Tel: (0782) 621111 Ext. 3972

KEELE
UNIVERSITY

STAFFORDSHIRE

CITY OF STOKE-ON-TRENT BUSINESS OPPORTUNITIES



A recent survey has shown that firms locating in Stoke-on-Trent can expect to achieve profit performance 21% above the national average. This figure is derived by examining six key cost factors including rents, wages and transport, and then comparing Stoke-on-Trent with major towns and cities nationally.

Situated just 2 hours from London by rail, linked by urban expressway to junctions 15 and 16 of the

M6 and less than 1 hour from 3 international airports, the City's communications links are excellent.

So at a time when you seek locational and profitable advantages over your competitors, it makes good sense to take a closer look at Stoke-on-Trent.

If you've got the business, we've got the opportunity!

Industrial Development Unit, Stoke-on-Trent City Council, Swift House, Gable Street, Stoke-on-Trent, England, ST4 1HP Tel: (0782) 46005

Just in time

The Sleeping Beauty

With such techniques television has managed to create its own versions of snooker and tennis which, while they may not give the viewer the atmosphere of being there, provide other benefits which are not available to the paying spectator. However much you pay for your seat you cannot see the play from five or six camera positions, nor zoom in to a close-up on a competitor's face



tors (not Brian Moore and therefore, presumably, Ron Atkinson) said: "Normally you'd expect a team of their sort of nationality to wilt under that sort of pressure, but they haven't."

Moore himself is calm and comparatively fair as British commentators go, yet even

Christopher Dunkley

May Days

ROYAL COURT

a chin-jutting sneer to the audience members of Nicholas Woodeson's unctuous, platitudinous consultant (both are impeccably drawn in Mike Bradwell's production.)

Lucie manages, for several minutes at a time, to observe the principle of allowing the best lines to the devil: the contention that the more you respond to a customer, the more customers cannot be easily denied, albeit in the worst of all possible worlds. In the absence of open-handed arts sponsorship, the undeniable, unpalatable truth is on the lips of the arts sponsor-hunter: "You need me. That's what you can't stand."

[illegible]

Claire Armitstead

surprising to find arts sponsorship itself in the firing line. Doug Lucie's *Doing the Business* gets a lefty director

Wess sets a lie against a reptilian

thing near an Andante tempo, dwelling lovingly on the numerous *acciaccature*, and squeezing out the music's last drop of reflective lyricism.

He brought a vast deal of dramatic life to the opening movement of Schumann's F sharp minor sonata, and precisely the sort of *Andante* stone, *ma espressivo* of the *Arja* second movement.

The long, diffuse fourth movement defeated even his keen musical intelligence, however. He played it with earnest commitment and a vigour sometimes verging on the bru-

The storminess of passages in Skryabin's two-movement Sonata No. 2 — an impressionist-led sea-dyptich — found him comfortably in his element, but his virtuosity in never merely exhibitionistic and was wonderfully employed in the immensely noisy Presto second movement simply sustaining the texture.

Chopin's *Fantasy* in F minor received a magnificent reading — emotionally bold, formally supple, tinged with improvisatory freedom. His early and modest *Variations* on a Ger-


man *National Air*, delivered here with supreme elegance, seemed to have been included as light relief but led on to the more substantial, though still early, variation set by Chopin, *Lied de concert's* *Chopin's Nocturne*. *Lied de concert's* *Chopin's Nocturne*, which Demidenko rendered with faultless panache.

Working his way for encores through Prokofiev's *Visions fugitives*, he tantalisingly suggested himself as near-ideal exponent of this composer's vernal music.

Paul Driver

ARTS GUIDE

are open to you
target for
ing
ness



McGraw-Hill
TW12 (R) TEL: 081-783 1122

**ARGUABLY THE
MOST PICTURESQUE**

and attractive Golf Club, in old woodlands, in STAFFORDSHIRE. 18 hole par 71 and 9 hole par 3. Visitors and Societies welcome. Only £12 per round week-days. We are on the B4176 off the A449 at Himley.

STAFFORDSHIRE

THEATRE
London
Anything Goes (Prince Edward). Cole Porter's stily ocean-going 1930s musical has four or five marvellous songs. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (724 8651, c836 2422).
Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journeyman who, in this house, has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's most successful and interesting and well directed play. Trevor

Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May the society actor who has been the production hijinks. Sarah Miles left the cast, but Richard Harris stayed to give a star performance as the nobleman who thinks he is an 11th century king (W1 897)

Vanilla (Lyric). Heavy-handed satire on New York super-rich and US-backed overseas dictatorships, directed by Harold Pinter, with a cast including John Gielgud, Phillips, Joanna Lumley and Gwan Humpale, who do New York writer Jane Stanton Hitchcock prouder than she strictly deserves (W1 437 3686)

Gypsy (St. James). This 30th anniversary production does more than introduce a rich, vivid musical; it also introduces a new belter to the showbiz tradition, Tyne Daly, as the bohemian and tumultuous Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for her art. (245 Broadway, Grand Hotel (Marriott), Book.)

Tommy Tune (Broadway). A present musical doctor, directs this remake of the Garbo film in an elegant, but somewhat random setting. (245 Broadway.)

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Whitaker musical in contrast with the elaborate original a decade ago emphasizes

gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (329 6200).

Washington

Starlight Express. Andrew Lloyd Webber's roller-skating musical arrives into Washington on its national tour. Ends July 14. Kennedy Center Opera House (457 6700).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing estab-

[illegible]

Tokyo

Kabuki, The National Theatre (888 7411) has a "Kabuki classroom" that consists of a lecture demonstration followed by one of the most famous plays in the repertoire, *Utagatsuma* (The Sublime Beauty). The lecture is in English and the demonstration to Kabuki. At Kabuki-za (541 3212). Excellent earphone guide in English and English-Japanese.

Fez Gyrat (in Japanese). Japan's most famous director, Yūjō Nishigaki, tackles these "mustagone" big-budget epics with a cast headed by a popular young rock singer. An interesting idea that is let down by the cast's inexperience. *Utagatsuma* (1987).

South Pacific. Emile Belcourt and Gemma Craven lead the cast from the recent London revival of the musical's Japanese version, *Koe no Naka ni* (In the Heart of the Music). Kosenjin Kenji Hall (687/5444). Opens Wednesday.

COLISEUM

Perhaps one ought not to judge this presentation save as an unsatisfying copy of an original whose existence on its home stage speaks of the nobility and harmony of its nativity. The truth of the production is too far from comparable to the Kirov dance style which itself reflects Leningrad's own marvels of space and light, architecture and history. With Asylumratova's dancing, as with that of her colleagues, the ballet is renewed. Yet she is an original in herself. She has never been seen: more feminine more bewitching in grace, more opulent in manner. *Academic rectitude* there is in her setting out of the canon, but the richness of physical nuance that opens out as the torso curves, movement flowering through waist and bust into shoulders and arms. It is a marvel of *épaulement* - with the trunk and head in one line and trunk which colour any action - so that Aurora's variation - so the third act becomes far more sensually aware in its charm than is customary. The role is vividly, unforgettably

And yet, and yet. When we see dancing as light and as grand as that of the prologue *Fairies*, we can forgive the loss of choreographic detail (and the text sometimes looks as if individuality has been ironed out by the overall serenity of the style) because of the exquisite ease of such executants as Tatiana Rusanova and Irina Sitnikova. And when Altyнай Asylmuratova enters as

Her Prince was Konstantin Zaklinsky, handsome, attentive, his interpretation, like his dancing, always distinguished. The Lilac Fairy was Yulia Makhmalina, young and gifted, and giving her reading the serenity of splendid line and manner. The handsome, slender Prince, The Carabosse, Yelena Shchetynova, demonstrated a suitably vile temper and a nice command of furious gesture. Not to be crossed! The divertissements in the third act I thought rather mere, and the ballet, which was the finale, butte, is surely guilty of an appalling solecism by always wearing a sword at court.

Clement Crisp

Oxford Cameos

ASHMOLEAN MUSEUM, OXFORD

This small exhibition of one mahogany display case crammed with cameos and one most unusual setting by Rubens is a delightful treat. The cameos are not the familiar, insipid 19th century earrings and brooches cut from shell or coral, but Roman gems in semi-precious stone and glass carved in high relief. The collection of Derek J. Content and his family, now on long loan to the Ashmolean (and on display to September 30), must be the best in private hands of these little known treasures.

Cameo cutting, invented in the time of Alexander the Great and perfected by the Romans, uses the different veils of colour in such stones as onyx and sardonyx or in hard glass (like the Portland Vase) to produce exquisite miniature reliefs.

militant feminism. The god Dionysos presided over fun parties, and wearing a Medusa mask ward off trouble.

In the Renaissance antique cameos were highly popular. The Rubens picture "The Cameo of Tiberius" is a handsome if technical painting of one, and will be a great surprise to those who think only of his bonyon women. The lieu d'origine is recently reached at the Ashmolean from the estate of Christopher Norris, the Rubens scholar.

We are so accustomed to large Roman sculpture, wall paintings and mosaics that it is easy to dismiss cameos as minor art. That misses the point. See them rather as exquisite private art mirroring the daily life and preoccupations of well-off Romans. Roman ladies wore gems of Athena or Hermes for protection, like a cross round the neck today. The hero Heracles

The picture is a version of the largest ancient cameo to survive, now in the Bibliothèque Nationale and exhibited in the Musée de la Ville de Paris, where Rubens' friend Nicholas-Claude Fabri de Peiresc discovered it. He identified the scene as the apotheosis of the emperor Augustus. It is now thought to show Germanicus saying goodbye to Tiberius (Augustus's successor) and his mother Livia, surrounded by other members of the imperial family. It is a fascinating example of Rubens's passion for antiquity, as different from his other works as Piranesi's drawings of Etruscan bronzes are from his. The scene is treated with wonderful sense when seen with a dazzling display of cameos.

Gerald Cadogan

SALEROOM

Ahead of the crowd

Hats attracted attention in more places than Ascot yesterday. Christie's South Kensington secured an auction record of £19,800 for a hat, or rather for a non-military hat, (Napoleon's famous headgear has made more), or rather for a bed cap. It was made around 1800 in England and is in near perfect condition, which accounts for the price. It was bought by the New York dealer Cora Ginsberg.

are buyers for the very best impressionist and modern paintings, but that now these buyers are in the driving seat. Both Sotheby's and Christie's have managed to persuade vendors that they must curb some of their expectations and fix more reasonable reserves, and estimates, on their offerings. The frenzy of a year ago is conspicuously absent.

A rare Carolingian manuscript, in near perfect condition, sold for \$638,000 at Sotheby's yesterday. It was written at Reichenau, the Irish semi-island community on Lake Constance in the early 9th century, and is the Pontifical of Salomo I, bishop of Constance. The parchment is in excellent condition. The price was within estimate.

On Monday night Christie's ticks off London's big week of Impressionist and modern picture sales, with Sotheby's weighing in the next day. There is nothing on offer to rival the paintings sold in New York in May, which led to an auction record price of \$32.5m for Van Gogh's "Dr Gachet," at Christie's, followed closely by the \$78.1m Sotheby's achieved for Renoir's "Au Moulin de la Gauche," but with enough important works to gauge whether the market is still strong at the top.

Perhaps the most interesting painting is a very early Picasso on offer at Christie's. Dated to 1901 it shows children playing with boats on a lake and is closer to Van Gogh in the brilliance of its colours. It could make £6m. There is also an 1878 work by 'A. travers' 'Les arbres' (around £2.5m) which is interesting in depicting the Ile de la grande jatte, the island subsequently made famous by Seurat. A fellow Pointillist, Signac, is represented by three works, each estimated at between £1m and £3m.

There is a pretty Renoir of bathers (up to £4.5m) which once belonged to Jack Cotton, the property developer, and a record is anticipated for Ben Nicholson – up to £500,000 for an unusually large picture of 1956, 'Boutique fantastique'. Favourite paintings have risen rapidly in price since the past year and 'Nature Morte' by Vlaminck could make £3.5m.

Anthony Thornecroft

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922185 Fax: 071-407 5700

Wednesday June 20 1990

Opening skies in Europe

BY BINDING themselves legally to liberalise air transport from the start of 1993, European Community ministers have displayed welcome decisiveness on an issue which has for too long been subject to procrastination and woolly compromise. However, it would be premature to conclude that the stage is now set for vigorous competition and lower air fares.

Indeed, Europe may do well in the next few years just to prevent the mounting financial pressures on the air travel industry from pushing up prices still further. Large investments must be made to modernise air traffic control systems, while the proposed abolition of duty-free sales on intra-Community routes will deprive carriers and airports of an important source of subsidy. In addition, air tickets may become liable to value added tax after 1992.

These extra costs need not, however, be passed straight through to passengers. They can, and should, be absorbed through efficiency improvements by the airlines. Many European carriers have grown flabby after decades of state protection and monopoly privilege. Their scope to trim fat is underlined by comparisons with the US industry, which has been compelled by deregulation to cut operating costs to far below European levels.

The EC hopes to achieve similar results by freeing its carriers from 1993 to compete on each other's national markets, allowing more competition on fares and ending bilateral arrangements for sharing capacity and revenue between airlines flying the same routes. But radical as these reforms may appear, they do not go far enough.

Efficient entrants

Genuine competition will develop in air transport only if the market can be contested by new and more efficient entrants. Authorising more carriers to fly the same routes will achieve little so long as take-off and landing "slots" at European airports are awarded in an opaque fashion which overwhelmingly favours incumbent carriers. Since the number of slots is limited by airport capacity, fairer allocation systems are needed.

The European Commission is considering proposing that a proportion of an airport's slots be put up for auction on a rotating basis. Since airlines presumably price their services at levels which maximise their revenues, charging for slots need not lead to higher fares. However, firm anti-trust measures would be needed to prevent large airlines from dominating available slots by out-bidding or acquiring smaller competitors, as has happened in the US.

Indulgent attitudes

The second obstacle to a free market is the growth of mergers and alliances between European airlines. The risk is that such deals will turn into non-aggression pacts, stifling at birth the competition to which they are supposed to respond. That threat is increased by the indulgent attitudes of most European governments to often heavily subsidised national flag-carriers.

Brussels is due to pronounce shortly on Air France's takeover of UTA and Air Inter and on the link-up between British Airways, KLM and Sabena. These cases pose an important test of EC anti-trust policy and may establish clearer guidelines for industry restructuring. Yet, while effective regulatory controls on mergers are needed, they cannot substitute for competition in the market.

That European flag-carriers have reacted to the prospect of liberalisation by immediately turning to industry restructuring suggests that they have the stomach to compete against each other very hard. If they are to face a real challenge, it will probably have to come from outsiders. Yet many smaller European rivals are in poor financial shape and increasingly seeking refuge under the wing of the big carriers.

That leaves non-EC carriers as the only potential newcomers with the strength and the incentive to challenge established market positions. European airlines have long insisted that air transport is a global business, in which mega-mergers are essential to survival. The Community should take them at their word and open its market to international competition.

The pruning of UK defence

THE £600m pruning being carried out on the UK defence budget promises to resolve immediate financing problems, but leaves open the bigger and more important questions of the size, structure, equipment and roles of Britain's armed forces. These are all in the ambit of the Options for Change study under way within the Ministry of Defence since February.

The MoD has insisted that the study is not the same thing as a defence review, which has acquired connotations of pecuniary distress. This year's exercise was dictated not by the need to save money but by changes in the political and military map of Europe.

However, the Treasury began stepping up pressure last year, questioning requirements such as a multi-billion-pound series of anti-armour projects. By ruling out an inflation adjustment in plans for this financial year, it forced the ministry to accept a 3 per cent budget decline in real terms. The consequence of this was the purge announced in the Commons on Monday, achieved principally by cutting short RAF purchases of Tornado aircraft. The whole re-appraisal is looking, after all, like a good old defence review.

Mr Tom King, Defence Secretary, has tried to dampen expectations of quick financial savings. Some changes would entail extra costs, such as housing for troops brought back from Germany, the re-equipping of forces for more mobile roles, and steps to make servicemen's jobs more attractive. Whatever savings are made, the MoD would like to spend them itself. Whether this is reasonable is not worth arguing, since politically it is unrealistic.

Far-reaching changes

The inflation squeeze already prompted the MoD last month to order a freeze on new purchases and civilian recruitment, a messy bit of improvisation while it sorted out its short-term sums. More far-reaching changes are to be expected from the Options for Change review. Mr King is due to give Cabinet colleagues an interim report next month. A full version should be approved

later in the year. A blueprint for British forces in Germany is required then as part of new East-West talks on troop levels, following a CFE treaty on conventional arms. In any case the armed forces need to know where they stand.

Political considerations

The scale and nature of cuts have to be measured against a shifting security background. The threat of an invasion spearheaded by Soviet forces in eastern Europe has dwindled to the point of implausibility. On the other hand, the CFE treaty is not yet in place, Soviet troops have another year before completing their withdrawal from Czechoslovakia and Hungary, and may remain for some time in what is now East Germany and in Poland. Soviet military production remains high.

The real decisions may well be made at the last minute and be influenced by political considerations. A firm line on defence has up to now provided Mrs Thatcher with a reliable vote-winner. Now, with a disappearing threat and a more pragmatic Labour Party defence policy, that time may have gone. It is widely accepted that armed forces, especially the more static army units, should become smaller and more mobile, but how small and how mobile, and with what brief, will be the issues over the next four or five months.

Britain spends a bigger percentage of GDP on defence - 4 per cent - than any of its main EC neighbours. Those who think that is much too much have found an ally in Mr Alan Clark, minister for procurement, and a provocative spokesman in Mr George Walden, formerly minister for higher education and science, who in a recent speech advocated "slicing back Britain's defence spending by something in order of a third to a half" and transferring the resources to education. Mr Walden's argument that Britain's future security will depend much less on weapons and "more than ever in the past on our educational, economic and cultural attainments" will hardly be the last word in the debate, but is a useful starting point.

Mr Mariano Rubio Jimenez, the Governor of the Bank of Spain, has a talent for understatement that would turn most well-bred Englishmen green with envy. When he suggests something might be serious, it is as well to assume it scares him.

Mr Rubio thinks that proposals from the West German Bundesbank to create a "two speed" European Monetary Union, with Germany and France fixing their rates of exchange now while the weaker Community economies are invited to join later when their inflation rates converge to about 3 per cent, are "serious" and divisive.

As of yesterday the Spanish peseta has been trading within the confines of the Exchange Rate Mechanism (ERM) of the European Monetary System for a year. Now, just as Madrid is beginning to enjoy the fruits of a painful decision to join and surrender its ability to manipulate the exchange rate and force the economy to face up to the reality of economic union and "convergence", it fears someone may be trying to move the goalposts.

Spain joined the ERM, remembers Mr Pedro Perez, deputy to the Finance Minister, Mr Carlos Solchaga, "for political as well as economic reasons". Spain's first presidency of the European Community was coming to an end and Prime Minister Felipe Gonzalez wanted to crown it with a vigorous demonstration of his pro-Community credentials. But politics only affected the timing.

"What we had," says Mr Perez, "was a system where producers assumed that their inefficiencies in the marketplace would be routinely absorbed by devaluation. But no longer. Now it is clear to them that the only way out is hard work." There are faint but unmistakable signs now that this message is getting through.

The peseta has been the strongest currency in the ERM since it joined. The Government chose a soft entry by allowing the currency to fluctuate within a 6 per cent band, rather than the 2.25 per cent band now around all the other ERM currencies. Part of its strength is explained by its choice of a D-mark parity of Pt65, in case it needed to devalue, even though the peseta was trading at about Pt62.5. No one in Spain has been the least bit surprised at its strong performance. Had Spain entered at market rates it could have chosen the 2.25 per cent band, but this would have made it more difficult to have achieved appreciation against the D-mark and the French franc, which has been useful

Just as Madrid is beginning to enjoy the fruits of a painful decision to join and surrender its ability to manipulate the exchange rate, it fears someone may be trying to move the goalposts

in lowering the costs of imports and forcing prices down.

High interest rates are the chief cause of the peseta's strength. With three month interbank rates of 15 per cent and inflation at an annual 6.8 per cent, real interest rates in Spain are still two or three points higher than in West Germany. But the effect has been to encourage greatly imports and to force Spanish industry to begin competing on its home ground.

In May, for the first month in seven years, there was no inflation in Spain and though it is months too early to be sure, both the Finance Ministry and the Bank of Spain are increasingly hopeful that the worst of the

Peter Bruce looks at the fortunes of the peseta one year after the currency joined the EMS's Exchange Rate Mechanism

Spain counts cost of joining the club

inflation nightmare is passing.

That is why Mr Rubio and other senior economic planners are angry at suggestions that the Community now split up into two tiers: the "chosen" low inflation countries like West Germany, France and the Benelux countries, and the rest. "It is unthinkable that Spain will have the same rate of inflation in 1993 as it has now," the Governor says.

There is an obvious loss of competitiveness because of the strong peseta but both Government and central bank officials believe that, in the short term at least, it is a price worth paying. Many of the worrying developments in the economic aggregates rose after entry a year ago but have begun to slow again.

Spain went into June 1989 with inflation running at an annual 6.9 per cent and rising fast. It touched 7.4 per cent in August but has now slowed to 6.8 per cent. Speculative capital inflows pushed central bank reserves up from \$4.5bn last June to \$4.6bn in September. Now they have steadied back to \$4.6bn. Growth in the broad money supply measure stood at an annualised 13 per cent last June, rose to 13.6 per cent in July and has since dipped sharply to about 8.6 per cent.

The Spanish balancing act is extremely delicate. The peseta is being allowed to stay strong (though outside the ERM it would be stronger) while high interest rates and bank lending restrictions are slowing down the economy and easing the drain on the current account as imports cool. The idea is to bring the pace of economic growth down to about 4 per cent but says Mr Perez, "we are not trying to depress the economy. We are trying to move from an excessive situation to a normal one."

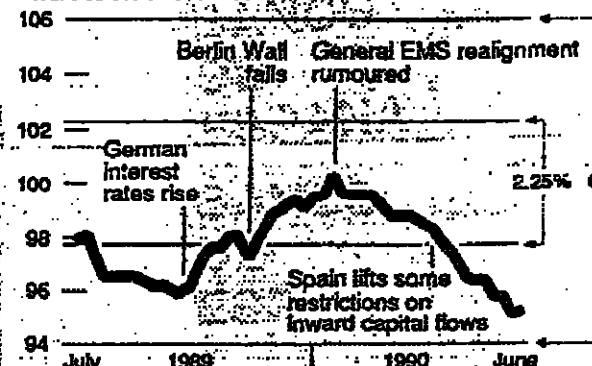
The Finance Ministry and the Bank of Spain differ slightly over quite which weapon is being most effective so far in slowing inflation - the Governor leans towards the exchange rate and the ministry towards high interest rates and credit restrictions. But Spain's year in the ERM still provides valuable lessons for the British Exchequer as London decides when best to join.

Most Spanish officials argue that there is no particularly magic economic moment in which to enter. The Spanish, as Britain is doing now, flagged their decision weeks in advance and if their experience a year on is any guide, the exchange rate effects of promising to enter the mechanism and actually being in it are not as different as all that. Neither judging by Spain's experience, does there appear to be much point in fixing ERM parities too distant from the market rates prevailing just prior to entry.

Madrid has also discovered that its 6 per cent band, or the top half where the peseta has ended up, is a good weapon against inflation. From an operational point of view, however, the Spanish claim the effects of entry into the ERM have been excellent. "The (local) money market has calmed down," a central bank official says. "Entry into the ERM means that now there is a playing field with

Pesetas per D-Mark

Index: 10 June 1989 = 100



Inflation

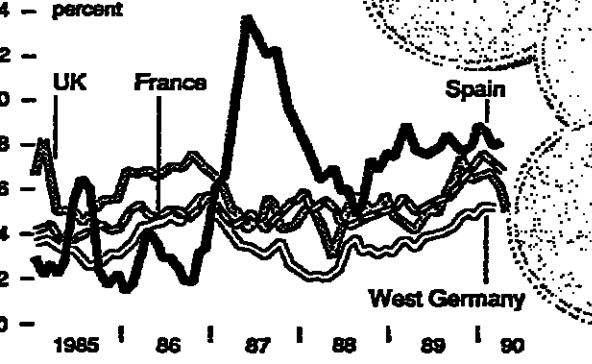
percentage



Real interest rates

(3-month money minus inflation rate)

percent



known limits." Before joining the ERM, the Bank of Spain intervened daily in the market. In the past 12 months it has intervened about 70 times and in much smaller volumes than it would normally have.

Mr Perez agrees. "Speculative movements against the peseta have fallen significantly in the last 12 months," he says. "We are defending our exchange rate much better and it is clear that if you are going to practise exchange rate discipline it is much cheaper to do it inside the system."

Cheaper for the government, perhaps, but industry, as intended, has been hurt by the strong peseta and high interest rates. Credit to the private sector in May 1989 was growing

make a case for even higher interest rates. Spain's monetary policy options have probably been exhausted by EMS membership, the existing high rates and credit restrictions. Every time the Bank of Spain has to intervene to soften the currency by placing pesetas in the market, it damages progress made on controlling the supply of money and delays any fall in interest rates.

Luckily for economic planners, Madrid can still greatly tighten its fiscal belt. The Finance Ministry has undertaken to end the year with a zero balance on its interest-free Treasury account, meaning that although it can borrow from the Bank of Spain during the year it has to pay the money back quickly, thus forcing it deeper into the expensive debt markets.

And this year, promises Mr Perez, public spending will grow less than inflation. "It is a real fall," he says. Last year the Government budgeted for a 15 per cent increase in spending but managed to hold the actual increase to 13.5 per cent. Although high revenues have helped Spain to reduce its public deficit by more than half to about 2 per cent of GDP, until now actual public spending has been growing faster than GDP.

Britain has neither a public sector deficit nor does it have a capital flows, and as Madrid is controlling its commitment to eliminating capital controls by 1993 can place great upward pressure on the currency.

In April, the Bank of Spain lifted two important controls, making it possible for non-residents to hold convertible interest-bearing deposits worth more than 100,000 pesetas, and allowing foreigners to make repurchase agreements on government securities. As a result, in the same month some \$2bn flowed into convertible peseta accounts and the currency is now trading at under Pt62 to the D-mark (Pt65.1 brings it to the 6 per cent limit).

If Mr Rubio has nightmares, they may be about arriving at January 1993 with high government borrowing blocking a fall in interest rates and no capital controls left to protect the currency. With high interest rates, the problem then would not be capital flight but, as now, to control the inward flow of money. From frightened off by the April experience, however, the Government is even talking about lifting all capital controls before 1993.

That will depend on the unions, however. Partly to offset the need to make deeper cuts in public spending and thus slow down the modernisation of the country's infrastructure, the Government is also trying now to convince the trade unions to accept a wages pact in which pay increases above the rate of inflation will be matched by increases in productivity. Not everyone is impressed.

"It (a wages pact) is a very slim reed on which to hang the remains of the fight against inflation," says Mr Jaime de Pinillos, chief economist at Chase Manhattan Bank in Madrid. "Getting inflation down to 6 per cent would be a good thing but we need to get it down to 3 per cent and I don't see the policies in place to do it."

But the Bank of Spain and the Finance Ministry will hold on to all the collected weapons in their anti-inflationary armoury. Spain has 59 months now to "converge" its economy with the low inflation EMS members before lifting capital controls.

"It is inconceivable," says Mr Perez, that Spain could free capital movements in 1993 without the differentials being reduced. The fact that France has been able to cut inflation to 3 per cent with controls in place encourages Madrid. "The conditions that make high interest rates necessary here have not yet disappeared," says Mr Perez, but "France did it in three years, so it can be done quickly."

Honours for Fulbright

■ J. William Fulbright, the former Democrat Senator from Arkansas who led Congressional opposition to the Vietnam War, would like to be remembered for contributing a different legacy to history: the Fulbright scholarships.

Now 85, the crusty southerner who grew up in a small village in the Ozark mountains, talked this week about the international educational exchange programme which he set up in 1946 - and which is now under threat through US budget constraints.

The Fulbright programme was not created with Fulbright family money, but through an amendment to the Surplus Military Goods Act in 1946 which converted allied war debts to help finance the scholarships. It was not a fit post-war American generosity, he insists, but an intelligent investment aimed at promoting a more peaceful world.

Since its inception, more than 100,000 students have benefited from the Fulbright programme - one-third Americans and two-thirds foreigners. Fulbright alumni include Alexander Yakovlev, President Gorbachev's top adviser who studied the New Deal at Columbia University in 1952; three members of the Polish Government, and the majority of the South Korean Cabinet.

Today the programme is no longer self-financing. Fulbright complains about US budget cuts which threaten to cut the number of participants by nearly a quarter over the next few years. The West German Government now contributes 80 per cent to the programme. "We were the richest nation and now look what happened to us," Fulbright says.

Next week the Senator will travel to Pembroke College, Oxford, which he attended as a Rhodes scholar in the late 1930s, and where the quadrangle will be named in his hon-

OBSERVER

our. On June 28 he will receive an honorary doctorate from Moscow State University in recognition of the Fulbright programme and his efforts to promote better relations between the US and the Soviet Union.

Catto's letter

■ Henry Catto, the US Ambassador to London, is doing his stuff against American sympathisers with the IRA. He has written a letter to Mayor Dinkins of New York protesting against a decision of New York City Council to name a street corner in Manhattan after Joseph Doherty, a convicted IRA gunman.

"I cannot urge strongly enough that you and the people of New York City reconsider this action. Mr Doherty is no hero. The IRA is a gang of murderers which deserves New York City's condemnation, not its commemoration," the letter concludes.

Swedish night

■ Financial austerity in Sweden has not yet gone all the way down the line. The country's options market, OM, spared no expense in celebrating its fifth anniversary last weekend.

The exchange transformed Stockholm's ice hockey stadium into a formal venue for 600 guests who ate and drank to the strains of a male voice choir. As the night went on, there was music from the Swedish Symphony Orchestra, followed by a jazz band. A salsa band and dancers led a procession to another part of the stadium where a disco and rock band had been set up and OM's young brokers - the average age of the market's staff is 26 - threw themselves into the boogying. Then



more food, roulette and a free bar.

Olaf Stenhammar, founder of the privately-owned OM, says he is celebrating because, in Sweden's highly regulated market structure, he barely expected to last a year. The fact that his market has survived a turnover tax - imposed to curb what the country's Social Democrat Government saw as irresponsible speculation - was cause enough for a party.

Old soldiers

■ As the British Army of the Rhine begins to think about withdrawing, an old memory comes back. Years ago, I went to visit an army friend near Paderborn. There was not much to do at the weekend, so the army organised a treasure hunt. We drove through the forest, looking for clues if not in tanks, in search of the treasure, wreaking a certain amount of havoc wherever we went. There was not a single protest from the local population, and the army would have been amazed if there had been.

Nowadays you can hardly get away with low flying even for strictly military purposes.

Anglo-French

■ Slightly eccentric gathering at the Beefsteak Club in London on Monday evening. John de Courcy Ling, a former British diplomat and former Member of the European Parliament, called in some of his francophile friends to celebrate the 50th anniversary of General de Gaulle's broadcast to the Free French.

The French Embassy has an excellent after dinner speaker in Anne Lewis-Louibnac, the cultural attaché. She speaks English so well that one detected (I think) a faint Leicestershire accent. It was an example of French diplomacy, she said, to accept an invitation to the Beefsteak at this stage, and an example of English diplomacy to serve lamb.

De Gaulle, she explained, had objected to being buried in the Invalides alongside Napoleon because the Emperor was not a proper officer. He rejected the Arc de Triomphe because it was the resting place of the unknown soldier. Then he turned down the Place de la Concorde on the grounds that it would be too expensive to dig the place up when he would be away for only three days.

The Courcy Ling dinner will become an annual event.

Legal tip

■ Did you hear about the Russian, Cuban, the American and his lawyer in the same railway carriage? The Russian took a swig from his bottle of vodka and said: "We make the best vodka in the world, and can afford to do it." He then threw the bottle out of the window. The Cuban did the same with his cigar. Whereupon the American, without a word, picked up the lawyer and threw him through the window.

Rory always has a bottle of Clicquot if he wins, and a magnum if he loses.

CHAMPAGNE OF THE SEASON

VEUVE CLICQUOT
LA GRANDE DAME DE LA CHAMPAGNE

The hunted are turning into hunters. British executives have long complained that they are sitting ducks for takeover by companies marauding across the Channel. But in the past two years they have got out on the acquisition trail themselves.

Last year, for the first time in the decade, British companies made more acquisitions in continental Europe than they did in the US. British Steel yesterday joined the movement with the £106m acquisition of Klöckner-Werk's sectional steel subsidiary at Troisdorf in West Germany.

This appears to be a marked change of focus. The British appetite for acquisitions across the Atlantic is renowned and the UK accounts for 42 per cent of European Community investment in the US.

But British executives appear to have been far less confident of forays a few hundred miles across the Channel. In 1985 they acquired just 59 European companies compared with 147 in the United States.

Last year the rankings were reversed. The number of American acquisitions fell from 289 in 1988 to 261, while the number of continental acquisitions rose by 101 to 359.

The justification for this change of direction is not hard to find. With the onset of the single European market in 1992 and the opening of the economies in the East, being European has become the emblem of modern management.

But it is not just fashion that is driving the British. In the past few years many businesses have realised that a comfortable 20 per cent share of the UK market might mean just 3 per cent share of a European market.

The prospect of a unified Germany becoming the European economy's engine room has exacerbated the sense of insecurity.

Fashion and fear is a potent mixture, but it may not be the soundest base for corporate strategy. Are the British really turning away from the US and how well prepared are they to run European businesses?

In part British companies' turn towards continental Europe stems from a reassessment of their experience on the other side of the Atlantic. The conventional wisdom that Britons should quickly feel at home in the US has not been fully borne out.

Mr Graham Smith, development director with Cambridge Electronic Industries, which last year made its first acquisition in France after a few deals in the US, said: "It is more difficult to adjust in the States than in continental Europe. People assume US business culture will be broadly similar. They do not think there will be problems, but there are."

On the Continent they are always expecting problems, but they are nowhere near as bad as they fear."

The similarities between British and north American businesses founded on similar capital markets and a common language can be misleading.

"It is a major failing to mistake the American ability to articulate business school jargon for good management," says Mr Gerry Mortimer, responsible for foreign deals at Smiths Industries, the aerospace and medical equipment group, which has made six significant US acquisitions in recent years.

Tactically West German engineers may be less impressive on first meeting but they may be more effective.

The differences run deeper than business vocabulary. Medium-sized north American companies, fed on their large domestic market, are far more inhibited than their transatlantic owners. Mr Mortimer says: "They often think it is an adventurous geographic extension to sell in an adjoining state."

However, the movement away from the US is only partial. The average value of last year's British acquisitions on the Continent was £7m compared with \$39m in the US. To take just one example, Smiths Industries' largest acquisition in the US, Lear Siegler, the aerospace company, cost \$350m, while its largest acquisition on the Continent, Peter von Berg, the southern German medical equipment maker, cost £13m.

The British preference for light corporate snacks rather than huge meals, reflects the different strategies pursued on either side of the Atlantic. European bids are less ambitious partly because of the political and regulatory barriers to take-over in many European countries.

British companies have tended to confine themselves to picking up divestments from larger groups or

Europe feeds an appetite for acquisitions

Charles Leadbeater says British companies are turning their attention away from the US to the Continent



UK overseas acquisitions

UK acquisitions in the US

	1985	1986	1987	1988	1989
Number	147	208	262	389	261
Value £m	4,006	8,256	19,312	17,796	10,235

UK acquisitions in Europe

	59*	67*	134	258	359
Value £m	n.a.	n.a.	1,250	2,788	2,630

* Approximate. Source: Booz, Allen & Hamilton

Source: Acquisitions Monthly



ment," says Mr Gerry Mortimer, responsible for foreign deals at Smiths Industries, the aerospace and medical equipment group, which has made six significant US acquisitions in recent years.

Tactically West German engineers may be less impressive on first meeting but they may be more effective.

The differences run deeper than business vocabulary. Medium-sized north American companies, fed on their large domestic market, are far more inhibited than their transatlantic owners. Mr Mortimer says: "They often think it is an adventurous geographic extension to sell in an adjoining state."

However, the movement away from the US is only partial. The average value of last year's British acquisitions on the Continent was £7m compared with \$39m in the US. To take just one example, Smiths Industries' largest acquisition in the US, Lear Siegler, the aerospace company, cost \$350m, while its largest acquisition on the Continent, Peter von Berg, the southern German medical equipment maker, cost £13m.

The British preference for light corporate snacks rather than huge meals, reflects the different strategies pursued on either side of the Atlantic. European bids are less ambitious partly because of the political and regulatory barriers to take-over in many European countries.

British companies have tended to confine themselves to picking up divestments from larger groups or

medium-sized businesses where family owners were reaching the end of their careers.

What some might call barriers to management have also made the British more circumspect. Just such a barrier - in the shape of a minority shareholding - confronted Pilkington, the glass manufacturer, after its acquisition of Flachglas, the West German company, in the early 1980s.

Mr Anthony Pilkington, the company's chairman who was recently awarded a knighthood, explained: "Minority shareholders have legal rights to exert a lot of power over management. You cannot do anything which might be judged to harm the interests of the minority, such as transferring glass production between the UK and Germany."

The difficulties and costs of rationalisations involving redundancies have forced acquirers to be more choosy.

Lancaster Boss, the Bedfordshire-based forklift truck maker, did succeed in rationalising Steinbock Boss, the West German subsidiary it bought in 1983 which was losing £500,000 a month. Lancaster Boss halved the labour force and closed a factory to return it to profit within seven months.

But even Lancaster Boss's experience has been mixed. In 1987 it bought Fenwick, the Spanish forklift truck maker. Sir Norman Lerner, Lancaster Boss's chairman, reflects: "You should try dissuading people in Spain; it is much more difficult."

The risk of getting caught with a

copy company which proves costly to turn around, means that the British are not just looking for good businesses but good managers as part of the bargain. This means they are biased towards smaller companies whose strengths may be easier to assess, and weaknesses easier to make good, than larger groups.

Perhaps the most important factors are those which underpin British Steel's plans for international expansion.

In continental Europe it is concentrating on building downstream activities, such as distribution and stockholding, which can be supplied from its UK manufacturing base. Its aim is to open channels into the European market.

But according to Mr Martin Llewellyn, British Steel's chief executive, it will pursue a different approach in the US. "There we will need a more stand-alone operation, which will not be dependent on supplies from the UK or disrupted by sterling's movements against the dollar." That means deals in the US will probably be larger and more ambitious.

Although British companies are concentrating on biting off manageable mouthfuls, many are only just considering how to digest European subsidiaries.

All stress the importance of relying on local managers. Yet companies also have to ensure they control, integrate and motivate continental managers to prevent reliance turning into overdependence.

Siebe, the engineering company which has a turnover of £160m in the UK compared with between £250m and £300m in the rest of western Europe, is one of the few which is attempting to create a cadre of Euro managers. Mr Barrie Stephens, Siebe's chairman, says it eschews nationalism: "They have to realise they are working for an international group."

To breed a common approach each month, senior staff from its international operations gather in New York. All senior managers are on the same payment system whatever their nationality. Research and development is shared by the subsidiaries, so they have to work closely with one another.

However, most companies are less ambitious. Mr Geoff Cullinan, a director of Outram, Cullinan and Company, the management consultancy, says: "The ideal of the pan-European manager is a laudable objective but not one we are close to achieving."

Most companies are adopting a more gradualist approach. Sir Norman Bowman-Shaw believes there are tremendous benefits in mixing business cultures rather than abolishing them beneath a pan-European approach. After bemoaning the inflexibility of German managers, he says: "Mind you the combination of German rigour and British flexibility is superb."

All rely on tight financial systems to keep a close check on the performance of subsidiaries as the foundation for fuller integration.

Unlike Siebe, most accept that management pay has to be tailored to local labour markets and customs.

Most British executives believe cultural differences, such as the greater stress put upon training in France and Germany, are real but overstated. Although Mr Pilkington admits to finding the supervisory board structure in Germany alien, others say it is more form than substance. It all depends what management wants to make of it. Mr Stephens goes further, suggesting it is easier to run factories in Italy, France and Germany because there are more skilled engineers available than in the UK.

Indeed, the most immediate task facing managers may well be to allay concerns about what lies in store under British ownership.

Stories about poor-quality British goods are less common. The most important differences now are the different priorities in part bred by British and continental capital markets.

Mr Pilkington says of Flachglas: "The pressures on investment are not nearly so short term here. They are far more relaxed; they go for quality first rather than continuous upgrade of profit margins. Earnings per share are not high on their list of priorities; they do not really understand us when we talk about that."

They are driven by the long term, by products and customers, while we are driven too much by the City."

British owners may have as much to learn from their continental subsidiaries as the subsidiaries from the owners.

Converting command economies

No capitalism minus capitalists

By Jan Winiecki

One fundamental pitfall on the road to changing command economies to market economies is the intellectual muddle over the relationship between the market and private property. With the collapse of central planning, the left has had little choice but to accept the market but, at the same time, has been unable to swallow the idea of private ownership. Left-leaning economists are therefore devising schemes aimed at creating capitalism without capitalists.

Illusions of this sort have arisen before. Lange, Lerner and others imagined that central planning boards would play the role of auctioneer. In response to prices set by the boards, state firms would respond with quantities and price changes to reduce demand or increase supply.

These fantasies were already laid to rest at the time of Stalinist planning. Managers of state firms did not behave the way they were expected to.

They demanded as much input as they could and produced as little output as they dared. Illusion-spinners had to turn to another theory in which a certain necessary independence for state firms was recognised. Firms were to seek profits. Management was to be decentralised with respect to current production while strategic issues of capital and labour allocation were to remain in state hands. Enterprise behaviour was to be determined by "steering parameters" (wage rates, interest rates, prices, tax rates).

Managers in eastern Europe gladly accepted the new autonomy and used it to their advantage. They changed what they produced to fulfil plans with smaller quantities of more costly products, lowered quality without dropping prices and substituted more expensive pseudo-novelties for standard products. But their attitude to capital did not change. Because the costs of financial failure continued to be nil, managers went on pressing for more of everything. Accordingly, there was excess demand in capital and labour markets, which in turn affected goods markets.

It should have been obvious that without markets in

which economic agents risk capital no meaningful improvement in performance is going to happen. But for the left to accept both private ownership and markets would be for them to prove the adage that socialism is the longest and most tortuous path from capitalism to capitalism - hence their search for substitutes.

State holdings are one such substitute proposed in Poland and Hungary. Bureaucratically appointed managers would have almost the same rights as shareholders except that of taking possession of the proceeds of their activity. Their decisions would presumably be taken with due notice of financial attractiveness and associated risk.

The question is whose risk? Stateholdings bureaucrats risk nothing of their own in the "playing at the stock market" game. In such circumstances nearly everything seems attractive. Soviet-type economies are littered with examples of what happens when bureaucrats spend other people's money for which they are not accountable.

There is a world of difference between the shareholder who uses his own knowledge or hires a specialist to play the stock market with his own money and the bureaucrat who risks taxpayers' money. Many left-wing economists are trying to use the market system's shall without the market system's content. The central pillar of the capitalist system is, not surprisingly, the capitalist - the one who risks his own resources and reaps the rewards of success or suffers the losses of failure.

If this crucial difference is not understood in eastern Europe, the illusion-builders now at work could lead some post-Soviet-type economies astray. The cost could well be a decade or more of low performance if not further decay. This risk will remain until the current attempt to find a "third way" - the Holy Grail of the democratic left - is abandoned.

The author, an independent analyst from Warsaw, pursues research in comparative systems and East European economies. He also teaches at the Catholic University of Lublin.

LETTERS

We have to play instruments in the band

From Professor F. Giavazzi.

Sir, Your leader, "Talking Up the Pound" (June 15), advocates taking sterling into the ERM "at a high exchange rate and with a broad band". You argue that this would keep British interest rates relatively high - a condition, you believe, for the credibility of the new exchange rate policy.

To take this view - like much of the recent UK debate over ERM membership - is to forget that the EMS is not like the London Underground, where you can get on a train at whatever stop you like, en route a fast trip beneath City traffic, and eventually get off without ever knowing the train's destination. But it is also to be wrong about the proper assignment of policy instruments in a regime of fixed exchange rates and free mobility of financial capital.

Up to 1987-88, the ERM did work like the London Underground, the system offered, to whoever cared to join it, an effective anchor for inflation.

The obligations were very small: you could join with a wide band, or a small band; with or without exchange controls. For a long time - up to the Single European Act adopted by the EC Council in 1986, and later ratified by member states as an amendment to the Treaty of Rome - the EMS was only an agreement among the central banks.

All this has changed. It is no longer possible to get on the train, looking only for the least crowded carriage; now you are asked to join it in the driver's seat. The rules are tight - no exchange controls; small band. And you had better make sure you know where the train is heading for - monetary union, with few intermediate stops.

In such a company, playing around with the size of the band would be clearly inappropriate. Why would you want to keep a wider band? Presumably because you want to avoid the consequences of fixed exchange rates, namely the loss of monetary policy as an

independent instrument. Not only this would be directly at odds with the current aims of your partners; it is also likely to be ineffective for the short-run objective that you hope to accomplish by joining the ERM: bringing inflation under control.

The larger the band you choose, the smaller the loss of monetary sovereignty that you will suffer. If the band is large enough, and the exchange rate is sufficiently strong in the band, it could fall to the bottom even without a realignment. Thus UK interest rates could stay above German rates.

But you wrote (September 88 1987) that joining the ERM "in place of money supply targets, long since discredited, we would have that unflinching guardian of monetary rectitude, the Bundesbank, standing as guarantor against Britain's endemic propensity to generate double-figure rates of inflation."

I take this to mean that the merit of ERM membership

stems from the transfer of monetary sovereignty from London to Frankfurt. If this is what yields "credibility," a large band would damage it.

Yes, joining the ERM would push UK interest rates down. (Notice that this is likely to happen even if the band were relatively large, provided the central parity was credible - witness the Spanish experience, and Italy's, before moving to the small band.)

But with fixed exchange rates and free capital mobility there is very little that monetary policy can do to control aggregate demand - unless you decide to move away from fixed exchange rates, which is precisely what you suggest. Once you credibly fix the exchange rate, there are only two instruments that can help you on the demand front: taxes and government spending.

Francesco Giavazzi, International Macroeconomics Programme, Centre for Economic Policy Research, 6 Duke of York Street, SW1.

Accountants manage too

From Mrs A.L. Rose.

Sir, The Institute of Chartered Accountants in England and Wales is not the only accountancy organisation which has "revamped" its syllabus (FT, June 14). The Chartered Association of Certified Accountants, which trains over 80,000 students worldwide every year, has recently done exactly this in order to bring a sharper focus to the management principles and techniques which today's accountants need to use in their everyday working lives.

They are now expected not only to produce financial data, but also to interpret it; to make decisions and to have the management skills needed to implement those decisions.

Also, the association has for years been committed to an "open door" policy, placing as few barriers as possible in the way of individuals who want to qualify as certified accountants. This, together with our comprehensive open learning programme, will ensure that the association is not adversely affected by the projected fall in the number of graduates within the next five years. Anthea Rose, ACCA, 28 Lincoln's Inn Fields, WC2

Two-speed traffic would be a pity

From Mr Nick Wright.

Sir, We can compare the recent decision not to fund the "High Speed Channel Link" with Mrs Thatcher's (and therefore the Government's) expected reaction to the forthcoming talks on EMU. A "two-speed railway system, may look acceptable in the short term, but soon the detrimental effects to the UK economy will appear.

On the slow track of EMU, UK businesses and traders will get caught up in the over-crowding of higher inflation; the points failures of currency exchanges; and the delays and cancellations of lost opportunity.

Nick Wright, 6 Wayne Close, St Peters, Broadstairs, Kent

From Mr E.M. Bale.

Sir, Mr Andrew Mitchell (Letters, June 18) draws attention to the different stance of Government (rail) funding 150 years ago. True; but in the intervening period both the pneumatic tyre and the internal combustion engine have been invented and, since the advent of these, only "other people's money" has continued to be invested in rail, producing a nil return on investment.

By using rail, the Channel Tunnel will be only another ferry, carrying for the most part pneumatic-tyred vehicles from one side of the Channel to the other.

R.M. Bale, Rocque Barn, St Clement, Jersey, Channel Islands

From Mr R.H. Foster.

Sir, A high-speed rail link for the Channel Tunnel to London is vital; it is greatly to be hoped that it is in operation before the target date of 1998 (the tunnel will itself be completed by 1993).

However, the established thought of building a brand new line is on the wrong track. A much quicker and altogether cheaper solution would be to lay two new tracks at the side of the existing line from Folkestone to Redhill (69 miles).

This route is lightly trafficked, particularly west of Tonbridge. With one exception it contains the longest straight stretch of railway in Europe, and would be ideal for high-speed (indeed top-speed) running.

Robert Foster, Westerburn Grange, Near Skipton, North Yorkshire

Reserved as an excuse

From Mr Robin Wendt.

Sir, In the public debate earlier this year about community charge levels, county councils were strongly criticised by UK Government ministers for using the introduction of the charge as an excuse to increase their financial reserves.

Figures now to hand, and available to the Department of the Environment, show clearly that the criticism was misplaced.

Twenty-eight of the 39 English counties have either used reserves to reduce spending, thereby reducing their call on community charge payers, or will keep their reserves constant.

County council reserves overall are expected to be some £40m lower at March 31 1991 than at March 31 1990.

Such reserves now represent less than 3 per cent of net revenue expenditure. Given current inflationary pressure, they could be regarded as too low.

Let us hope, therefore, that we have now heard the last of this issue.

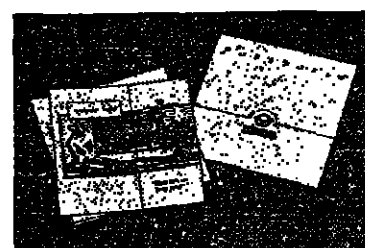
Robin Wendt, Secretary, Association of County Councils, Exton House, 62a Exton Square, SW1

able to handle enquiries in 5 languages 24 hours a day.

LOOKS LIKE A JOB FOR PERMATEL

Every day companies lose business or suffer damaged reputations by being unable to deal effectively with telephone enquiries.

Most of the time, they don't even know it's happening.



That's why Permatal Assistance from Mondial is such a good idea.

Using the same expertise and telecommunications technology that operate our renowned vehicle break-down and medical emergency service, Permatal provides you with a round-the-clock response centre.

Highly trained personnel are briefed to deal with a variety of enquiry situations, giving a constructive and helpful response in your company's name.

We can also handle multi-lingual calls from abroad.

Permatal Assistance is just one of a new range of specialised assistance services available from the Mondial Assistance Portfolio.

If you would like full details, please call us on 0800 289549 (24 hours).

MONDIAL ASSISTANCE

P.O.R.T.F.O.L.I.O.
"How can we help you?"

MONDIAL ASSISTANCE, LEON HOUSE, 201-241 HIGH STREET, CROYDON CR0 9XT

Final call for cheap air travel in the EC

Tim Dickson examines the prospects for an end to the abuses of the airlines cartel

EUROPE'S airline passengers have every right to be cynical. Wrongly led to believe 2½ years ago that fares would tumble in the wake of air transport deregulation, they are again being promised that an era of cheap travel is upon us.

Enthusiastic reactions from the likes of Britain's Transport Minister, Mr Cecil Parkinson, and the EC Transport Commissioner, Mr Karel Van Miert, to the second air liberalisation "package" announced on Monday are justified because member states have legally committed themselves to ending the more blatant abuses of the airlines cartel.

The cosy bilateral revenue and capacity sharing arrangements set to disappear by the end of 1992 when airlines will be free to fix their own fares, and common licensing rules should serve to clip the wings of powerful national carriers in their "home" markets after July 1992 by opening them to competition from airlines of other countries.

At the same time it takes an act of faith to believe that an industry whose gut instincts are still highly protectionist and whose basic infrastructure (air traffic control systems) is still jealously controlled by national governments can quickly or easily confront the commercial realities of a single European market.

EC Transport Ministers on Monday legally bound themselves to full liberalisation of the airline industry by the beginning of 1993. The measures will:

- Transform the system for setting fares so that the scope for governments to block new tariffs is reduced;
- End bilateral capacity and revenue-sharing arrangements which guarantee a fixed percentage of traffic on a given route;
- Create new freedom to operate in and between other member states through uniform licensing rules.

Intermediate measures are due to come into effect in autumn this year. Ministers agreed on allowing airlines to set lower

"deep discount" fares without obtaining government approval, an increase in the number of European airports affected by the reforms, and a relaxation of conditions for services in which passengers are either picked up or set down at an intermediate point en route to the final destination.

Two key issues were left unresolved. The first was the extent of the powers which the Commission has been seeking to outlaw anti-competitive and exploitative practices, such as swamping a route to force a competitor out of business. The other issue is the question of slot allocation at airports, on which the Commission will publish its ideas later this year.

For Brussels the job is only half done. The scope for more adventurous players to exploit the freedoms just negotiated could be severely curtailed if the EC does not head off the threat to competition both from mega-mergers and from newly bolstered airline "fortresses". It will be even less so unless a serious political effort is made to ease the growing problem of congestion on the ground and in the skies.

For all the medium- and long-term expectations, few are expecting any big transformation in the EC air transport market as a result of the "intermediate" package which will run to 1993.

This can best be seen as another small step along the path first marked out in December 1987, the much-trumpeted first stage of airline deregulation piloted through by the

then competition and transport commissioners, Mr Peter Sutherland and Mr Stanley Clinton Davis.

Mark Two essentially builds on its foundations, introducing, for instance, a wider zone and slightly more flexible conditions for the so-called deep discount fares which airlines can now offer without recourse to their governments. The lower limit has been reduced to 30 per cent of the standard economy fare compared with 45 per cent under the present regime.

The anti-competitive capacity-sharing arrangements whereby governments bilaterally share out the revenues and traffic on routes and which inhibit more aggressive airlines, meanwhile, will be gradually phased out. At the moment governments can insist on a 60/40 share - but

these limits will be gradually reduced in 7½ percentage point stages under the second package until a 75/25 limit is reached in 1992.

Most airports previously excluded from any of these liberalising rules - notably those in Denmark, northern Italy and Spain - will lose their exemptions, while fifth-free rights - the liberty to pick up or set down passengers at an intermediate airport en route to another destination - will be extended so that a maximum 50 per cent of seats (compared with 30 per cent at the moment) can be sold in this way.

Although member-states have now signed up to "full" liberalisation post-1992, the Transport Council was dominated on Monday by tough bargaining on the details of the second phase.

The thorniest issue was raised by Spain, which claims that a shortage of "slots" at airports such as London Heathrow and Frankfurt is hindering the development of new services by Iberia, its national flag carrier. Pending the adoption by the Transport Council of a code of conduct on slot allocation, yet to be tabled by the Commission - but which will establish the principle of non-discrimination on the grounds of nationality - a compromise was agreed on Monday allowing aggrieved member states to take a form of retaliatory action.

Notwithstanding Dutch displeasure in particular, Spain also insisted on the right of countries to slow down the dismantling of capacity-sharing agreements if charter traffic was "unduly" hindering the ability of their scheduled airlines to compete.

Of equal significance, meanwhile, France was the right of member states to continue subsidising services to certain regional airports on routes "considered vital for the economic development of the region in which the airport is located".

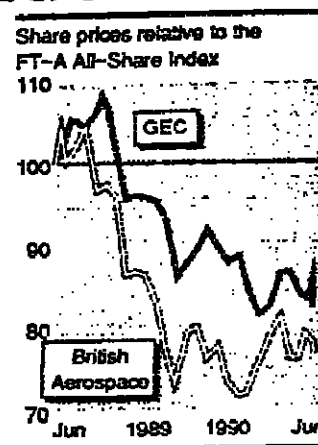
All being well for the liberalisers, of course, these are temporary constraints. For European air travellers they are proof that the national reflexes which have dogged the cause of deregulation for so long are not yet dead.

When defence comes under attack

The pressures on defence spending have been self-evident for the past year and predictable for a good deal longer. Even so, the latest turn of events in the UK has caught the market on the wrong foot. The Tornado cuts are taken as evidence that a major defence review is under way in all but name, and that while further extensive cuts can be expected by the autumn, there is no saying where they will be directed.

For UK suppliers, the consequences extend beyond immediate sales to the UK Government or even to Nato partners. In the defence business, subsequent sales to developing countries are largely a matter of price, and price is a function of high volume and long production runs on the original commission. More fundamentally, the economics and innovative capacity of large tracts of British industry, from aerospace to electronics and advanced materials, rest heavily on military research funding and cash flow. That tap will of course not be turned off entirely, nor will the results affect trading profits in the next year or two. But if the contraction proves sharper than companies have bargained for, the costs of rationalisation and closure could show up rather sooner.

The most obviously exposed of the UK's big defence contractors is British Aerospace, some 70 per cent of whose profits are based on defence. But the Tornado cuts are also unduly bad news for GEC, whose Marconi division accounts for a quarter of pre-tax profit; and on top of that comes the Ferranti radar business, bought by GEC last year for £310m and now facing a possible halving of profits. The British electronics industry has often been criticised for its reliance on defence and telecommunications. The force of that criticism is becoming more evident by the day.



than the ABI has traditionally encountered when defending pre-emption rights. It is hard, for instance, to see all finance directors taking kindly to the ABI's idea of going back to the old days before the 1985 Companies Act, when every company's articles contained explicit limitations on borrowing powers.

The same goes for the discussion paper's evident qualms about companies which combine the role of chairman and chief executive. As the ABI is well aware, some big well-run UK companies such as ICI, Fisons and Grand Metropolitan do exactly that. Reading between the lines, it is fairly clear that the ABI's hidden agenda is to make sure that there can never be a repetition of the Guinness affair, and if that means upsetting a few executive chairmen, so be it.

The paper's weaknesses are over-emphasis on the role of non-executives and reliance on voluntary codes of practice. You do not have to be Sir Owen Green to question the effectiveness of non-executives, given their failure to avert such great financial disasters as Midland/Crocker, Imperial/Howard Johnson or B&C. As for the second point, if something is worth doing, it is surely worth considering making it a legal obligation.

Charter

Charter Consolidated under new management is pretending to be just like any normal mini-conglomerate. Underperforming assets are being jettisoned, there is plenty of talk about focussing on core businesses, the headcount is going down and the return on capital employed is going up. Admittedly, operating margins are static and virtually all the profit growth is accounted for by the change in accounting for pension costs. But the div-

dend has been increased by 13 per cent, and with net liquid resources of well over £100m, Charter can nearly cover its annual dividend just from the interest payments on its bank balance.

It is a sound defensive stock selling at a substantial discount to the market and its recovery potential should ensure that profits will grow faster than average in the coming year. Nevertheless, Charter's new strategy of managing its assets more aggressively will not be taken seriously as long as its single biggest profit contributor remains its 38.7 per cent stake in Johnson Matthey, over which it has no direct control.

Of course, it could be argued that given its current cash balance it would not know what to do with the £175m it could get for its JM stake. The obvious answer would be to give the money back to shareholders. However, despite occasional hints from its South African shareholders that they are interested in enhancing shareholder value, such largesse seems as far as away as ever.

Failed companies

Not so long ago, for a quoted company to call in administrators or receivers was a rarity. The USM company Splice, which did so yesterday, was the fourteenth to do so since the start of the year. What is striking about the list, which includes two giants - British & Commonwealth and Colson - as well as the expected range of minnows, is the wide range of industries involved. Property developers and retailers were always expected to be on the list. But Splice was a motor parts distributor; and the insurance, leisure and airlines sectors have all had their casualties.

Investors can take comfort from the fact that the corporates still represent less than 1 per cent of the total number of quoted companies. Whether the total increases sharply depends on the banks. It is hard to tell whether the new system of administration - a half-way house to liquidation - has made them more or less eager to pull the plug. Administration may appear a less drastic and more orderly solution than liquidation. But to the extent that it resembles Chapter 11, the banks may take longer to get their money back. Keeping the companies going, however desperate the situation, may look preferable to increasing the bad debt ratios again.

Problems delay debut of catamaran ferry

By Richard Tomkins, Transport Correspondent, in London

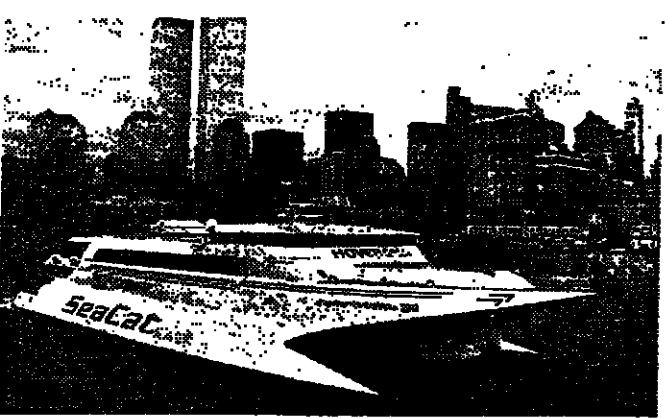
HOVERSPED, the British company which hoped to launch a high-speed cross-channel passenger service this month using the world's largest wave-piercing catamaran, has suffered an embarrassing setback to its plans.

It is having to offer refunds or alternative travel arrangements to about 2,000 would-be passengers because the start of the service has been delayed for a second time.

The revolutionary 74m catamaran, designed to carry 450 passengers and 80 cars, was originally due to enter service between Portsmouth and Cherbourg on June 14 after attempting a record-breaking run across the Atlantic.

Yesterday, however, the company was contacting passengers to tell them that services could not begin until July 12 because testing troubles had held up the vessel's arrival in the UK.

It also became clear that the UK's Department of Transport had reservations over whether



HoverSpeed's catamaran ferry: testing troubles

the catamaran would qualify for a passenger certificate in its present form. The department said vessels of this size normally carry a mix of lifeboats and liferats, but the catamaran's lightweight structure and lack of open decks would not allow it to carry lifeboats.

This meant the department's

Marine Office surveys would need to make sure not only that enough liferats were available, but also that passengers would be able to get to them in an emergency.

The delays to the catamaran's arrival in Britain began last month when one of its water impeller jets broke on the delivery run from the

maker's yard in Tasmania to New York.

When the vessel arrived in the US, a second problem emerged with vibration in the superstructure which required strengthening work to be carried out in dry dock.

After a three-week delay, the catamaran was due to set off from New York last night in an attempt to win the Blue Rib and for the fastest average speed for a passenger vessel crossing the Atlantic. Its arrival in Portsmouth is scheduled for Saturday.

Sea Containers, the parent company of HoverSpeed, said yesterday that problems were to be expected with a new vessel and the delays were no cause for concern.

The 42m (225.35m) catamaran, built by International Catamarans Tasmania, is the first in the world to carry cars as well as passengers. It is intended to cut through waves instead of riding them, so giving passengers a smoother ride.

US group plans tyre burning plant in UK

By Maurice Samuelson in London

A US company yesterday offered to build a power station in Britain which would alleviate one of Britain's worst waste disposal problems.

The station, at Wolverhampton in the west Midlands and costing £20m (460.8m), would burn half of Britain's 25m tyres scrapped every year instead of using coal, Britain's leading fuel for electricity generation. It would be the first of its kind in Britain.

Elm Energy and Recycling of Connecticut, which has four full-time employees, has applied to build the 20 Mega-Watt plant on a six-acre industrial estate in Wolverhampton.

It says the technology is proven in the US, where one large scheme is in operation and a second is under construction.

The concept is designed to appeal to the environmental lobby because of the constant risk of pollution and fire from tyre disposal.

Mrs Anne Evans, Elm's 34-year-old president, is in Wolverhampton this week trying to convince planning officials that the plant would remove, rather than create, pollution. Its emission control standards would be higher than those in force in Britain and would anticipate those to be introduced in the year 2000.

She hopes construction will begin early next year, with the plant running by 1992. Initially, about 50 jobs would be created.

The plant already has the technical approval of the Midlands Electricity Board which will buy its output if it is built.

The Wolverhampton site has been selected for geographical reasons.

It is said to be only a day's lorry drive from half the waste tyre dumps in Britain, is in the heart of the motor industry and close to several of the leading tyre factories.

Mrs Evans, whose family has been in the tyre business for three generations, said she and her colleagues had been involved in a 14 MW plant, built beside a dump of 40m tyres at Modesto, California.

A second plant, being built at Connecticut, would use 100,000 tonnes of tyres to generate 27MW of power.

EC Court allows UK suspension

Continued from Page 1

national law, must set aside that rule." The British Government said yesterday that Mr Cecil Parkinson, Transport Secretary, would continue vigorously to contest the granting of interim relief to owners of the Spanish vessels until the courts had decided whether the 1988 Act was incompatible with EC law. Until that decision, Spanish fishing vessels would still be banned from fishing in UK waters.

Mr Nicholas Forwood, counsel for one of the Spanish fishing companies, said last night that he expected the boat owners "fairly quickly" to ask the House of Lords to reinstate the original High Court interpretation.

The matter is complicated because the EC separately obtained an injunction from the UK Government to overturn the nationality requirements of the Merchant Shipping Act. The Act's impact was only to allow a handful of Spanish boats back onto the UK Fishing Register, with the rest caught by residence and domicile conditions.

Beleaguered communism finds a homeland in South Africa

By Philip Gawth in Johannesburg

THE SOUTH AFRICAN Communist Party yesterday gave notice that Karl Marx is alive and well in South Africa, probably the only country in the world where communism's fortunes may be on the increase.

After 40 years of underground existence, the SACP announced that it would publicly enter the South African political arena as a legal party on July 28.

The launch will take place at a rally in Soweto, Johannesburg's biggest black township. Speaking at a news conference against the background of a huge red flag, embossed with hammer and sickle, Mr Joe Slovo, the party's general secretary, said the SACP's objective was to build a strong mass party "democratically answerable to both our membership and our broader working class constituency."

Founded in 1921, the party was banned in 1950. The ban was lifted in February at the same time as bans were lifted on its ally, the African National Congress, and other organisations.

Mr Slovo said the Government was wrong if it thought

that the crisis of socialism elsewhere would discredit socialist ideology in South Africa: "Some Communist Parties might have failed the cause of communism; capitalism has failed humanity."

Disclosure of party allegiances on July 28 is eagerly anticipated. There has been considerable speculation about the extent of SACP involvement not only at senior levels of the ANC but in the leadership of the trade union movement. If some assessments are to be believed, SACP members dominate both.

Mr Slovo, whose avuncular appearance and sometimes wise-cracking style belies his past role as a leading member of the ANC's military wing, dealt good-humouredly with the issue.

"I have been authorised to state that recent press reports that of the 35 members of the ANC national executive, 37 are communists, are somewhat exaggerated," he said.

Mr Slovo is a member of the ANC team which reached a preliminary agreement with President F.W. de Klerk last May that is expected to lead to negotiations on a new constitution.

He reaffirmed the leading role of the ANC in the political struggle, and added: "We do not expect that in the immediate future there will be any conflict of interest between us."

"There was no basic difference in their immediate objectives - an end to racism and its replacement with a non-racial society - nor in their approach to a post-apartheid society."

In spite of the Government's past campaign against the party, the SACP and its objectives enjoyed "wider prestige and popularity than at any time in our 69-year history."

The SACP will not be abandoning underground structures until it believes the process of democratisation in the country is irreversible.

Mr Slovo acknowledged that the SACP had in the past "bathed in some murky waters" in foreign policy matters, its support for the Soviet Union on matters such as Hungary, Czechoslovakia and Afghanistan having been "virtually an automatic reflex."

He said that in future, reaction to foreign events would be based on "our own analysis."

Growth fuels inflation fears

Continued from Page 1

Government officials, concerned about possible US reaction to signs of growth in Japan's trade surplus, said there were special factors, including a seasonal surge in car exports. However, some private sector economists saw the start of a recovery in export growth, inspired partly by the decline in the yen over the past year.

Domestic demand, which grew 1.2 per cent over the previous quarter, reflected robust growth in both consumption and capital spending.

Mr Kenneth Courtis, senior

economist at DB Capital Markets, Deutsche Bank's securities subsidiary in Tokyo, said the figures showed the plunge in Japanese equities early in the year had had little effect on the economy.

For the fiscal year to end of March, the economy grew by 5 per cent, well above the Government's forecast of 4.6 per cent. Domestic demand grew by 5.7 per cent while external demand, exports minus imports, fell 0.7 per cent.

The economy is now in its 44th month of expansion, the second longest period of growth since the war. The longest was 57 months recorded in

the mid-1960s. The 12.3 per cent year-on-year increase in money supply in May, the same figure as for April, is worrying officials at the Bank of Japan.

The growth rate is well in excess of an informal target of 11.7 per cent for the quarter to the end of June. In the longer-term the central bank would like to see the rate of money supply growth in single figures.

The reported figures are distorted by a flow of funds inspired by financial deregulation from postal savings and other accounts not covered by the money supply figures to bank deposits, which are,

ARE YOU GETTING THE BEST OUT OF PEOPLE?

- Do you know the benefits to your company of establishing an ESOP or a QUEST?
- Would a market in your private company shares interest you and your employees?
- Have you considered a Phantom scheme for executives?
- Could a BOGOF motivate your employees?
- Have you thought about performance related share options?
- Ever been granted a Super Share Option?

Robson Rhodes have many years experience in all aspects of Share Incentives and our multi-disciplinary team of advisers can assist you in establishing innovative and tailored schemes.

ROBSON RHODES

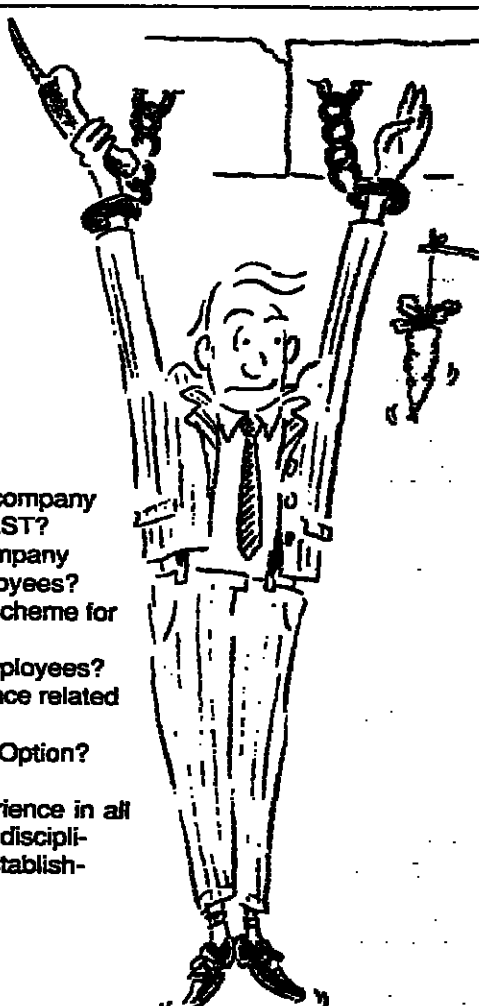
Chartered Accountants

For further information, please call Nigel Frudd on 071-251 1644 or write to him at Robson Rhodes, 186 City Road, London EC1V 2NU.

Name: _____ Company: _____

Address: _____

Postcode: _____ Telephone: _____



NOMURA
Local Commitment
Global Capacity
Nomura International plc, Nomura House,
24 Monument Street, London EC3R 8AJ,
Telephone: 071-233 8811 Telex: 883119
Member of TSA and ISE

FINANCIAL TIMES COMPANIES & MARKETS

Wednesday June 20 1990

HENRY BUTCHER
INTERNATIONAL
PROPERTY & PLANT
PROFESSIONALS
071-405 8411

INSIDE Goodyear struggles with dull tyre market

It's been a tough year for the tyre industry and even leading companies are feeling the effects. Goodyear, the world's largest tyre manufacturer, is planning to report second-quarter pre-tax charges of about \$35m for some restructuring actions in its North American operations. The charges, along with other adverse factors, will result in a second-quarter net loss of up to \$10m. The restructuring itself will lead to the company shedding about 1,100 jobs. *Roderick Oram reports. Page 23*

Metals hinder Charter's course
Precious metals have taken the shine off results at Charter Consolidated, the UK industrial holding company, which reported a 12 per cent increase in pre-tax profits to £75.8m (£68m) in the year to March 31. Charter said the 38 per cent stake in Johnson Matthey, the precious metals marketing and refining group, had held back progress due to a sharp fall in operating profits. *Page 26*

Right row over the real thing
Coca-Cola has come a long way since the days of this old label. In 1906, but it cannot go far enough in the eyes of angry French cafe owners. Five hundred cafes in and around Bordeaux have refused to stock Coca-Cola, not because they disprove of the stuff, but because they think the company is not playing fair. They object to vending machines installed there as an experiment by Coca-Cola, from which thirsty passers-by can obtain cans cheaper than in most cafes. *Page 22*

The trouble with money
The western world's financial institutions are racing to set up investment funds in Hungary. Three have been launched in recent months and five more are in the offing. But some analysts doubt whether investors will find much return. The rush of funds into Hungary is a case of "too much money chasing too few goods" and "too much, too soon," they say. *Page 25*

Strawberry fields forever
High-tech, high investment and high risk: this is not the description of some venture capitalist's portfolio. It is a farmer's view of the strawberry business. "What has been happening amounts to a revolution in English strawberry growing," claims one strawberry expert. New varieties, planting and growing techniques have lengthened the growing season in the UK to nearly half a year. *Bridget Bloom reports. Page 29*

Market Statistics

Base lending rates	26	London traded options	25
Base rate Govt bonds	25	London traded options	25
FT-100 index	25	Managed fund service	34-37
FT 1st bond service	24	Money markets	25
Financial futures	26	New int. bond issues	25
Foreign exchanges	26	World commodity prices	29
London recent issues	25	World stock index	29
London share service	31-33	UK dividends announced	25

Companies in this section

Ameritech	23	Koor Industries	23
Ames Dept Stores	23	MGM/UA	23
Bank Leu	22	ML Holdings	23
Bankers Trust	22	Mercedes-Benz	22
Bank Atlantic	22	NZ Telecom	23
Brenner	22	News Corporation	23
CS Holding	22	Nokia	22
Chancery	22	Oncompu	22
Charter Consolidated	22	Pathé Communication	22
Coca-Cola	22	Porter Chadburn	22
Cont Stationery	22	S China Morning Post	22
Davenport Knitwear	22	Sabena	22
Den Norske Bank	22	San Miguel	22
East Worps Water	22	Shanks & McEwan	27
Fashion & Gen Inv	22	Spice	22
Fitch-RS	22	Stoddard Sakers	22
GEI International	22	Time Warner	22
Globe	22	Valex	22
Goodyear Tire	22	Western Mining	22
H.J. Heinz	22	Widney	22
Invicta Sound	22	Williams (Rev)	22
Jones & Shoman	22		

Chief price changes yesterday

FRANKFURT (DM)		PARIS (FFP)	
Mercedes	2900 + 50	Alpine	2400 + 104.4
Daimler-Benz	817 + 19	Luxor	485 + 27.5
Daimler-Benz	778 + 14	Synthes	533 + 24
Witt	415 + 25	Paule	1070 + 70.9
Paule	430 + 10	Coastal	151.5 + 8
March Road	2150 + 80	Coastal	362.1 + 21.5
LONDON (Pence)		TOKYO (Yen)	
Chrysler	161.5 + 1 1/2	Daewoo	1070 + 110
Daewoo	23.5 + 1 1/2	Kumho	350 + 250
Goodyear	33.5 + 1 1/2	Nippon	350 + 500
Goodyear	17 + 1 1/2	Nippon	880 + 100
Goodyear	17 + 1 1/2	Plastic	1630 + 15
Goodyear	17 + 1 1/2	Plastic	1000 + 100
LONDON (Pence)		LONDON (Pence)	
Amstrad	120 + 10	Brit Aerospace	546 + 14
Amstrad	258 + 10	Conrad	121 + 7
Amstrad	258 + 10	Cooper (Alan)	150 + 30
Amstrad	273 + 7	Fitch-RS	105 + 45
Amstrad	140 + 12	GEI	208 + 9
Amstrad	205 + 12	GEI	1075 + 18
Amstrad	442 + 9	SIC	258 + 11
Amstrad	1403 + 53	Svenska Tenn	171 + 12
Amstrad	225 + 38	Stanley	251 + 15
Amstrad	439 + 5	Smiths Inds	488 + 7

Mercedes aims to boost output by 4%

By Kevin Done, Motor Industry Correspondent, in Stuttgart

MERCEDES-BENZ, the West German car company which has been hit in the last two years by steeply falling domestic demand for diesel cars, plans to raise its car output this year by about 4.2 per cent to 555,000. The plan, by the automotive subsidiary of the Daimler-Benz group, represents a sharp turnaround from 1989 when car production fell by 3.1 per cent to 542,160. Diesel cars accounted last year for only 24.5 per cent of car output compared with 35 per cent in 1988.

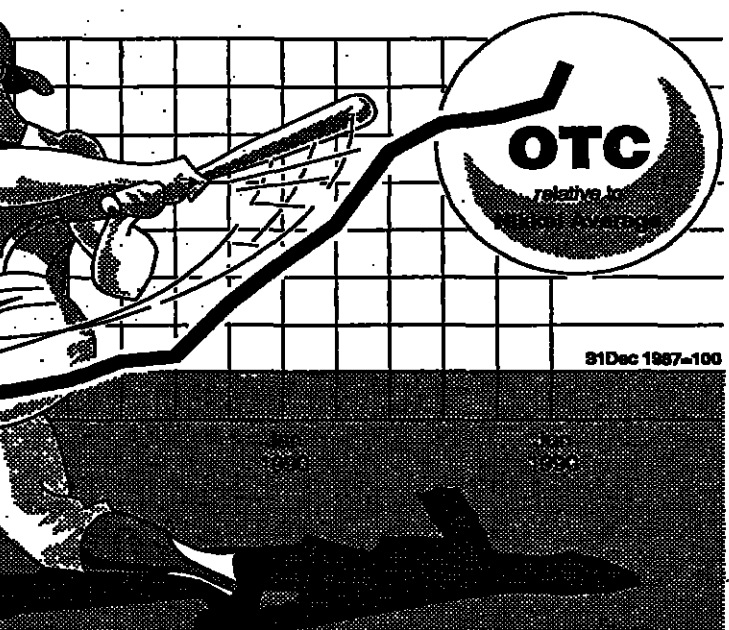
production of Mercedes-Benz 200-300 series cars in 1993 at a rate of about 100 cars a day with output doubling to 200 cars a day in 1994. Mr Niefer said the company was aiming to build one of the world's most highly-automated car plants at Rastatt. The company was seeking to increase its car output to about 650,000 in 1994 and to 800,000-850,000 by the year 2000, he said. Mercedes-Benz car sales in the first five months of this year increased by 6 per cent to 240,000. The rise was helped by higher sales in several western European markets, in the US and in Japan,

which has become the company's third-largest car export market. The company also expects to sell about 100,000 cars in East Germany over the next five years. Sales in Japan were 52 per cent higher in the first five months at 16,803. Mercedes-Benz was the leading car import there, ahead of BMW and Volkswagen. Mercedes-Benz car sales in West Germany are expected to fall to 238,000 this year from 247,000 last year. This is partly due to a drop in sales to its own employees from 74,000 last year to 65,000 in 1989, following unfavourable tax changes on such sub-

Big hitters from Japan's little league

Michio Nakamoto reports on rocketing interest in Tokyo's over-the-counter market

WHILE the Tokyo stock market still faces a long haul to recovery, investors hungry for gains have turned to the much smaller over-the-counter (OTC) market where share prices have been shooting through the roof. The value of the OTC market rose 38 per cent to ¥4,500m (£290m) to ¥14,000m in the year to the end of April. That makes it larger than the entire Australian or Hong Kong stock exchanges and is particularly remarkable considering only 277 issues are traded. Nasdaq, the US over-the-counter market, which trades more than 4,300 issues, was capitalised at \$368m at the end of last year. The Nikkei OTC stock index has rewritten its high on several occasions during an eight-day rising streak this month. On Monday it climbed to a record of 3,882.14, while the Nikkei index for the stock exchange's far more prestigious first section is still 17 per cent down from its high.



the bandwagon in a desperate attempt to make profits where they can - adding liquidity and hence greater appeal to the market. Until recently, the OTC market was dominated by individual investors and some foreigners who were attracted to the low price/earnings ratios of OTC issues relative to the first section. Although interest in the OTC market has actually been growing over the past few years, the immediate trigger for the recent explosion of activity was a string of new listings in the autumn of last year. Turnover swelled to 144m shares in May - more than triple last year's monthly average of 44m. And this sudden attractiveness of OTC companies has left the market bursting at the seams.

The large number of new companies obtaining listings on the OTC has kept up the excitement. Last year saw a record 73 new issues, and this year more than 100 new companies are expected to be listed. The OTC's success in attracting funds is a telling sign of structural changes in the economy. "There are many OTC issues which represent the new Japan," says Mr Takehiro Tsuda, research manager in the equity department of Ichigoshi Securities. The Japanese economy has already moved on from a dependence on heavy industry to lighter industries and is well into the next stage of economic development which places greater emphasis on software, services and computerisation, he says. Companies in these sectors will play a greater role in the OTC market than among more established issues.

Nihon Kinzai, a building maintenance company, has been a typical OTC success story. Its popularity stems from its role in providing computer-based maintenance services for buildings with high technology systems. The issue has gone up 125 per cent from its ¥1.10 issue price on February 1. Three OTC firms - Heiwa, THK and Jafco - each have market capitalisations of more than ¥1,000m. Heiwa is a maker of machine tools, for playing the Japanese equivalent of pinball. THK manufactures bearings for industrial machinery. Jafco is a venture capital company; its popularity stems from its considerable holdings of the rapidly rising shares of other OTC companies. In turning to the OTC market, Japanese investors are following in the footsteps of their US counterparts, says Mr Tsuda. In the late 1970s an software, services and computerisation became increasingly important for the US economy, the Nasdaq over-the-counter market rose rapidly, with stocks such as Apple Computer leading the way. The success of the OTC market in Japan has given added impetus to the popularity of OTC shares. Recently high interest rates in Japan have made growth stocks more attractive than the heavily capitalised issues that used to be favoured by Japanese investors for their liquidity. "It's difficult to find real growth companies on the first section... whereas on the OTC you can still find companies with double-digit growth," explains Mr Martin Roth, an analyst at Kleinwort Benson Securities. The Ichigoshi Securities

Research Institute estimates that a sample of OTC companies will show a 15.8 per cent rise in pre-tax profits in the year to March 1991. That compares with a 2.5 per cent increase estimated for a comparable sample of first section companies. The recent influx of institutional investors seeking short-term capital gains has raised concerns that the market is overheating. But few people expect the strength of OTC shares to suddenly fizzle out. An automated trading system on the lines of Nasdaq will be introduced in October 1991. Called Jasad, it will raise capacity to five times the present volume. Mr Tsuda points out that the Nasdaq index has surged since an automated trading system was introduced in 1984. "We expect Tokyo to do the same," he says.

Bank Leu chief leaves post in wake of takeover by CS

By Andrew Baxter

MR KURT SCHILTKNECHT, president and chairman of Bank Leu and the first Social Democrat to head one of Switzerland's big five commercial banks, is leaving his post in the wake of Leu's takeover by CS Holding, parent company of Credit Suisse. Mr Schiltknecht, a former chief economist at the Swiss National Bank, was appointed chairman early in 1988 as part of a management reshuffle widely seen as an attempt to distance Bank Leu, Switzerland's oldest, from its role in the Guinness affair. Yesterday, Bank Leu, the fifth biggest Swiss bank, said Mr Schiltknecht would not be working within the CS Holding group after completion of the proposed alliance. But it did not say what he would be doing, and Mr Schiltknecht could not be reached for comment. News of Mr Schiltknecht's departure coincided with an announcement by CS Holding that holders of more than two-thirds of Bank Leu's shares had indicated they would exchange them for shares in Leu Holding, a new holding company, which will be listed on the Swiss stock market. Leu shareholders who had not presented their shares by Monday's deadline now have until July 3 to swap them. CS Holding launched its bid for Bank Leu in April. A month later

the target bank recommended shareholders accept the offer. Bank Leu shareholders are being offered a one-for-one exchange of their shares and participation certificates for equivalent securities in Leu Holding, which will also incorporate CS Holding's two private banks, Bank Hofmann and Clariden Bank. Mr Robert A. Jeker, Credit Suisse president, would become Bank Leu chairman, while Mr Adolf Brandt, Leu's current managing director, would become vice-chairman. Mr Brandt's position would then be assumed by Mr Roland Rast, Credit Suisse's current managing director.

British Steel clinches German deal

By Charles Leadbeater in London

BRITISH STEEL yesterday reached agreement on its first manufacturing venture outside the UK, with the DM300m (£187m) purchase of Klockner-Werke's steel division at Trarbach, western Germany. The acquisition is part of chairman Sir Robert Scholey's plan to reduce British Steel's dependence on the UK market and establish its presence in the strategically important German market. It will provide the first real test of British Steel's ability to internationalise its business. The West German steel market, which is one of the strongest in Europe, is expected to grow further following the modernisation of the East German industry. The sale is part of Klockner-Werke's strategy to diversify away from steel towards engineering and plastics. Klockner-Werke's Mannesmann division, which employs about 1,700 people at Trarbach, had a turnover of about DM500m last year. Analysts, who were generally satisfied that British Steel

steel from plants in northern England. The mills, which last year produced about 200,000 tonnes of hot rolled special sections and 120,000 tonnes of tubes, could provide an outlet for more than 400,000 tonnes of semi-finished steel. British Steel's move is one of the most ambitious yet in the European steel industry, as it takes the company into foreign manufacturing rather than just distribution and stockholding. The purchase must be sanctioned by the European Commission following clearance from the West German cartel office. At Los Hornos de Vizcaya, Spain's second-largest integrated steelmaker, is expected to announce today that it will not go ahead with a joint bid for Ariston, one of Spain's most successful producers, Peter Bruce writes from Madrid. The bid, with the big state-owned producer, Enxidea, was an attempt to mount a counter offer to one from British Steel. However, so far, the finance has not been found.

Liffe is going green on the 21st June

With the introduction of a 3rd year of contract months (green months) in the Short Sterling future.

For further information please contact Fiona King at Liffe on 071-623 0444

LIFE The London International Financial Futures Exchange

INTERNATIONAL COMPANIES AND FINANCE

Bank of Scotland buys interest in new Greek bank

By James Buxton, Scottish Correspondent

BANK OF SCOTLAND is taking its first step into banking in continental Europe by buying a 30 per cent stake in a newly-formed bank in Greece.

The business, to be called Dorian Bank, will concentrate on corporate and investment banking. It will have initial capital of Dr2.2bn (\$18m).

Dorian is being set up with Mr John Mavrikakis, a well-known figure in Greek business circles and chairman of the Maymar Marine Enterprises shipping company, which will own the other 70 per cent of the bank.

Greek banking, hitherto dominated by state-owned banks, is undergoing deregulation as European Community directives are implemented. Bank of Scotland believes that the opening-up of the market will provide good opportunities in corporate banking. Dorian will offer full banking services and take deposits from corporate customers.

Its strategy in expanding into continental Europe is to seek niche opportunities "rather than trying to be a pan-European bank," said Mr Tom Borthwick, assistant general manager of the international division, yesterday. "We are looking at a lot of opportunities, and this is the first one to come to fruition."

Bank of Scotland regards the venture as a good investment opportunity. "We didn't pick up the map of Europe and say that Greece was where we

wanted to be," said Mr Borthwick. "The people came to us and we were very impressed with them."

The chairman of Dorian will be Mr Anthony Mantzavinos, a former Greek cabinet minister who recently retired from a senior position with Citicorp. Mr Nikos Theodosiades, named managing director, was previously general manager of investment banking arm of Commercial Bank of Greece, following 10 years with Continental Illinois.

Dorian intends to seek a listing on the Athens Stock Exchange within three years.

While the local team of Dorian is expected to provide business opportunities, Bank of Scotland will supply expertise in corporate banking including management buy-outs and project finance. It could later provide expertise in retail banking if Dorian moved into that area.

Bank of Scotland will second two staff to Dorian's staff of 40 and have three out of eight seats on the board. The bank recently took a 5 per cent stake in Sima, an Italian company that is setting up a credit card processing centre in Milan, to get a foothold in the growing Italian credit card market. Sima's largest shareholder is Olivetti Information Systems, an offshoot of the data-processing equipment maker. Bank of Scotland has a large Visa processing centre at Dunfermline, Fife.

Pelège agrees to reduce SAE stake to 20 per cent

By William Dawkins in Paris

Pelège, the French property group, yesterday agreed to reduce its stake in Société Auxiliaire des Entreprises (SAE), the leading French house-builder, dispersing fears that it was planning a hostile bid. SAE said Pelège had promised to sell enough shares to reduce its 25 per cent shareholding to 20 per cent, in

exchange for extra seats on the board.

Mr Michel Pelège, head of the property developer, began building the SAE stake in February, when he bought 17.66 per cent of the group from Compagnie Générale d'Industrie et de Participations, the holding company of the Wendel family.

Waterford shareholders warned of hard times

By Kieran Cooke in Dublin

WATERFORD Wedgwood shareholders were told at yesterday's annual meeting that the company's performance continued to be affected by a drop in consumer spending in the US and UK.

Mr Howard Kilroy, chairman of the crystal and ceramic products company, said that trading conditions around the world were more difficult than last year, "with the possible exception of Japan."

He added that a strike at the company's Waterford crystal division, now in its 12th week, was also hurting sales. The company has warned of a "dire consequences" of a prolonged strike and has hinted that crystal production might be moved overseas, possibly to eastern Europe.

For the past three weeks management and union representatives have been conducting negotiations. Irish government officials said they were hopeful that a peace formula would soon be worked out.

Last year the Waterford crystal division incurred pre-tax losses of £21.3m (\$34.2m). Only continuing profits from Wedgwood, the maker of luxury chinaware, have kept Waterford afloat. The group posted pre-tax losses of £20.6m last year.

At the meeting in Dublin, management was criticised for not giving adequate information about company affairs. Directors also faced questioning about what were considered excessive salaries paid to some board members.

Philips may cut computer jobs

UNIONS at Philips, the struggling Dutch electronics group, said they expect the company to announce the first job cuts at its all-time computer division at a meeting on Friday, Reuters reports.

"We have a meeting on Friday and I expect Philips to announce a first wave of austerity measures," said Mr Joop de Graaf, of the FHP union for middle management. Philips declined to comment.

Bordeaux eschews le real thing

By William Dawkins in Paris

ANGRY Bordeaux café owners have taken some of the fizz out of a campaign by Coca-Cola to woo the French from their traditional coolness to the sparkling brown drink.

Five hundred cafés in and around the city have refused to stock Coca-Cola, not because they disapprove of the stuff, but because they think the US drinks giant is not playing fair - an allegation denied by Coca-Cola.

They object to the 20 vending machines installed there as an experiment by Coca-Cola, from which thirsty passers-by can obtain cans for a mere FF15, as against the FF10 to FF15 per bottle in most cafés.

Given the importance of the corner café to French civilisation, this could turn out to be more than a storm in a pop bottle, as clearly recognised by Coca-Cola France, which has promised to put no more

vending machines on public streets until the row is settled.

"We aren't trying to open a parallel market or to kill the cafés. They are after all our first customers," insists Mr Cyrille de Salaberry, external relations director for Coca-Cola France, fresh from a visit to Gironde to try to soothe the café owners. As a further mark of the seriousness with which Coca-Cola takes their unease, its directors have agreed to meet the national hotel industry union on Thursday.

The Bordeaux vending machine test is a small part of a much wider drive launched by Coca-Cola last year to improve the performance of its drink in France, where people drink less Coca-Cola than in most other European countries. The average French citizen swigs a mere 5 litres of the stuff every year, a fifth of West German and Belgian consumption and less than

half what the average British drinker manages.

"What we are trying to get the café owners to accept is that vending machines and cafés are two different markets. If people drink more Coca-Cola from vending machines, they will tend to ask for it more often in cafés," argues Mr de Salaberry, a keen fan of decaffeinated Coca-Cola line.

Coca-Cola's French campaign started last year when the US drinks group ended a long legal battle to buy back FF683m (\$158m) its French bottling distribution interests from Pernod-Ricard, which had handled Coke in France for 30 years.

Since then, Coca-Cola has opened in Dunkerque what is now its largest canning plant, to supply the whole of Europe, plus a concentrates factory in southern France, representing a combined investment of FF680m.

SCANDINAVIAN BANK RESULTS

DnB records loss of Nkr491m

By Karen Fossell in Oslo

DEN NORSKE BANK (DnB), Norway's biggest bank, yesterday reported net losses of Nkr491m (\$75.8m) for the first four months of this year, its first accounting period since it was formed from a merger between Den norske Creditbank and Bergen Bank, two of Norway's top three banks.

However, the new bank forecast a net profit for the year as a whole. DnB's figures reflect high loss provisions for potential losses which must be booked as losses, according to new Norwegian accounting standards, although they may not materialise. The bank forecast that losses for 1990 would be less than combined losses for the two banks in 1989, which hit Nkr3.237bn.

DnB's net interest income also suffered, because of higher interest rate levels in the

period, as did gains on sales of bonds and securities. Identified losses estimated to be about 45 per cent of the total provision, and estimated losses on loans and guarantees reached Nkr1.369bn.

In the same period last year the two separate banks, Bergen Bank and Den norske Creditbank (DnC), suffered combined losses of Nkr1.68bn.

Group operating profit, before credit losses and provisions, hit Nkr928m against a combined operating profit of the two separate banks of Nkr1.335bn last year. However, operating costs for the new bank were lower in the period at Nkr1.91bn, despite a Nkr38m charge to accounts related to the merger, compared with combined operating costs of Nkr1.92bn before the merger.

"We have accomplished our goals when it comes to staff reductions in the period from end-December to June," said Mr Egil Gade Greve, the bank's chief.

Mr Gade Greve said that DnB would be able this year to feel the benefit of cost reductions from the merger. From 1991 DnB estimates cost benefits of Nkr800m yearly as a result of the merger. DnB's ordinary deposits reached Nkr87.26bn against combined deposits in the same period of Nkr90.98bn for Bergen Bank and DnC.

Mr Gade Greve said the bank had a deferred tax benefit of Nkr1bn as a result of the merger, which it has not yet realised. The bank's equity ratio, according to Bank for International Standards data, was put at 5.3 per cent.

Growth of 30% for Handelsbanken

By Robert Taylor in Stockholm

SVENSKA HANDELSBANKEN, one of Sweden's top three commercial banks, recorded a 30 per cent growth in group operating profits over the first four months of the year, with a rise to SKr1.65bn (\$270m) from SKr1.26bn.

It achieved a 24 per cent rate of return compared with 21.6 per cent for the same period of 1989. Total receipts went up by

26 per cent to SKr3.21bn. The results include those from Svenska Banken, which became part of the bank from the beginning of the year after its acquisition by Handelsbanken.

Another bank, the Gota group, has also announced strong results for the first four months of the year with a 35 per cent improvement in operating income from SKr344m to SKr463m. Its return on equity after tax was 16.7 per cent compared with 14.3 per cent for the same period of 1989.

Gota said it expected this year's profits to exceed "by a wide margin" the 1989 performance, when the group made profits (before extraordinary items) of SKr1.05bn.

Nokia sales rise but profitability 'unsatisfactory'

By Enrique Tessieri in Helsinki

NOKIA, Finland's largest privately owned company, said profit before tax and minority interests for the first four months rose modestly to FM217m (\$54.8m) from FM213m a year earlier.

Sales rose to FM6.96bn from FM6.88bn, while operating profit also increased to FM349m from FM349m. Net profit, however, dropped sharply to FM118m from FM202m. Earnings per share fell to FM1.90 from FM2.30.

Nokia said that, despite asset sales, the group's results for this year would improve but would still remain unsatisfactory. Sales are not expected to exceed FM22bn.

The group said its liquidity was good, and its gearing ratio during the first four months of this year had improved to 73 per cent from 81 per cent.

Mr Olli-Pekka Kallasvuo, a senior vice president, said profitability had improved but was still unsatisfactory.

Sales in the consumer electronics division rose 11.5 per cent to FM1.96bn. The result had improved when compared with the same period in 1989 but was still poor.

Nokia, however, was especially satisfied with its telecommunications division, which saw sales rise by 20.1 per cent to FM790m. The result at its mobile phone division was also positive.

Sabena in BFr1.3bn operating fall for 1989

By Lucy Kellaway in Brussels

SABENA, the Belgian state airline which recently formed an alliance with British Airways (BA) and KLM of the Netherlands, yesterday announced a net operating loss of BFr1.3bn (\$37.5m) for 1989.

The company blamed the difficult market for European airlines in general, but said its results had been made worse by a series of strikes, and by the disruption of flights to Africa. In a downturn statement, the company held out little hope of much improvement in the market this year.

The results came just a few days before the European Commission is expected to make a complaint about Sabena World Airlines - the new joint venture company in which BA and KLM have each taken a 20 per cent stake - on the grounds that it is against European Community competition rules.

Mr Carl van Radebeem, president of Sabena, yesterday expressed confidence that the deal was not anti-competitive, as each of the three companies continued to operate separately. He said SWA was having a difficult start, but denied that the joint venture was facing financial problems.

At group level, Sabena's results from its airline were partly offset by profits from other subsidiaries - which include hotels, catering and air services. These together made net profits of BFr722.3m, 12 per cent less than the total last year.

In marked contrast to the losses for the airline, profits for the group almost doubled to BFr558.1m, compared with BFr334.7m last year. The dividend was BFr437.5m. The difference between the group results and the results for the airline was due to sale and leaseback deals on aircraft and to extraordinary goodwill gains.

During the year Sabena carried 3.5 per cent more passengers than in 1989, although rising capacity meant that its load factor fell from 86.4 per cent to 84.9 per cent. Turnover also fell slightly to BFr4.9bn from BFr4.8bn.

SOCIÉTÉ GÉNÉRALE

IFR Options House of the year 1989

Following the success of our FRF and USD risk management services

WE ARE NOW PLEASED TO OFFER
GBP AND DEM
INTEREST RATE OPTIONS

For further information, please contact us:
London . Tel. 071 929 52 71 / 72 / 73



LET'S COMBINE OUR TALENTS.

New York (1.212) 632 4400

Tokyo (813) 5566 1485

Member of T.S.A. and A.F.B.D.

U.S. \$165,000,000

Partek Finance Corporation

Guaranteed Floating Rate

Bonds due 1998

Bondholders are advised that for the six months interest period from June 20, 1990 to December 20, 1990 the Bonds will carry an interest rate of 8 1/4% per annum. The amount payable on December 20, 1990 will be U.S. \$438.44 per U.S. \$100,000 principal amount.

By: The Citicorp Bank, N.A.

London, Agent Bank

June 20, 1990

NBD BANCORP, INC.

U.S. \$100,000,000

Floating Rate

Subordinated

Notes due 2005

Notice is hereby given that for the interest period 20th June, 1990 to 20th September, 1990 the interest rate has been fixed at 8 1/4% per annum. Interest payable on 20th September, 1990 will amount to U.S. \$121.22 per U.S. \$100,000 Note.

Agents: Morgan Guaranty

Trust Company

JP Morgan

COMPANY

NOTICES

HERON INTERNATIONAL

FINANCE B.V.

Issues of up to U.S. \$100,000,000

Guaranteed Floating Rate Notes

due 1993

NOTICE IS HEREBY GIVEN that for the interest period commencing on 21st June, 1990, the U.S. dollar Notes will bear interest at the rate of 8 1/4% per annum. The interest payable on 21st December, 1990 against Coupon No. 5 will be U.S. \$44.10458 per U.S. \$1,000 Nominal.

Fiscal Agent

ROYAL BANK OF CANADA

EUROPE LIMITED

DIMOSIA EPIKRIKSI

ELEKTROSAMOU

(Public Power Corporation)

ECU Denominated Floating Rate

Notes due 1997

NOTICE IS HEREBY GIVEN that for the interest period commencing on 21st June, 1990, the Notes will bear interest at the rate of 10 1/4% per annum. The interest payable on 21st September, 1990 against Coupon No. 10 will be ECU26.5333 per ECU1,000 nominal.

Fiscal Agent

ROYAL BANK OF CANADA

EUROPE LIMITED

THE REPUBLIC OF

TRINIDAD AND TOBAGO

U.S. \$50,000,000 Floating Rate Notes due 1992

Notice is hereby given that the Rate of Interest has been fixed at 9 1/4% p.a. and that the interest payable on the relevant interest Payment Dates, December 20, 1990, against Coupon No. 10 will be U.S. \$495.63.

June 20, 1990, London

By: Citibank, N.A. (CITI Dept), Agent Bank

CITIBANK

This announcement appears as a matter of record only.

13th June, 1990

Partek Finance N.V.

U.S. \$150,000,000

Euro-Commercial Paper Programme

Guaranteed by

Partek Corporation

Dealers

Kansallis Banking Group

NatWest Capital Markets Limited

UBS Phillips & Drew Securities Limited

Union Bank of Finland Ltd, London Branch

Arranger

UBS Phillips & Drew Securities Limited

Issue and Paying Agent

National Westminster Bank PLC

THE REPUBLIC OF

TRINIDAD AND TOBAGO

U.S. \$50,000,000 Floating Rate Notes due 1992

Notice is hereby given that the Rate of Interest has been fixed at 9 1/4% p.a. and that the interest payable on the relevant interest Payment Dates, December 20, 1990, against Coupon No. 10 will be U.S. \$495.63.

June 20, 1990, London

By: Citibank, N.A. (CITI Dept), Agent Bank

CITIBANK

U.S. \$200,000,000

GEORGIA FEDERAL BANK, FSB

COLLATERALIZED FLOATING RATE NOTES

DUE DECEMBER 1996

For the interest period 19 June 1990 to 19 December 1990 the above Notes will carry a rate of interest of 8 1/4% per annum with a coupon amount of U.S. \$320.63 per U.S. \$100,000 Note.

Agent Bank: Citicorp Bank

INTERNATIONAL COMPANIES AND FINANCE

Warner may withdraw Pathé loan

By Alan Friedman in New York

THERE ARE signs that Time Warner, the media and entertainment giant, may withdraw its crucial \$650m loan to back the \$1.2bn planned acquisition of MGM/UA by Pathé Communications, the studio controlled by Mr. Giancarlo Parretti, the controversial Italian financier.

If Time Warner were to withdraw its financial backing, this would almost certainly doom any chances of Mr. Parretti completing the MGM tender offer by the closing deadline of June 23.

It is believed that Time

Warner's hesitancy has caused Mr. Parretti to ask Mr. Kirk Kerkorian, the majority shareholder of MGM/UA, to consider a significant delay of the deadline on the deal.

Mr. Parretti could not be reached for comment.

The difficulties stem from a series of last-minute negotiations between Mr. Parretti's Pathé and Time Warner. Both sides claimed that the talks were still under way.

The talks have become more complex because of the condition in Time Warner's agreement with Pathé that, in order to obtain

the \$650m loan, Pathé itself must come up with \$450m of equity.

Pathé claims to have come up with the funds, but a sizeable part of the money it has raised through its network of European companies comes from bank loans rather than equity.

A Pathé executive said discussions with Time Warner had taken place all weekend and were continuing.

He said that, as of Monday evening, there was "no definitive statement from Time Warner suggesting that the

money would not be loaned."

On Friday the French Government blocked Mr. Parretti's attempt to take full control of Pathé Cinema of France, the original company whose name Mr. Parretti has used on his Hollywood studio, the former Cannon Group.

Mr. Pierre Bérégovoy, the French Finance Minister, questioned the origin of Mr. Parretti's funds and said he had asked France's stock market authority to liaise with the Securities and Exchange Commission on the Parretti matter.

Murdoch's HK issue four times subscribed

By John Elliott in Hong Kong

A PUBLIC share issue for 17.5 per cent of Mr. Rupert Murdoch's Hong Kong-based South China Morning Post (Holdings) has been slightly more than three times oversubscribed.

Applications were made for 960.1m shares against an allocation of 262.5m, less an allowance of 10 per cent for staff allocations. This means that applications exceeded the number of shares on offer by 4.06 times.

Dealings in the shares, which were priced at HK\$3.66 each, are expected to start on June 29. The South China Morning Post, the company's main publication, is Hong Kong's leading English language daily.

The offer forms part of a successful \$9 per cent flotation of SCMP, which has been wholly owned by Mr. Murdoch's heavily indebted News Corporation since 1987. It will yield News Corp HK\$2.26bn (US\$289.7m).

Singapore investors including United Overseas Bank and Singapore Press Holdings, which owns the Straits Times, have taken stakes totalling 14 per cent. A further 17.5 per cent has been placed with institutional investors.

With the flotation, Mr. Murdoch has diluted his stake in Hong Kong ahead of the colony's return to Chinese sovereignty in 1997.

He now hopes that the Singapore investors will link in joint ventures to help the group expand among Chinese readers in the region.

● Yaohan Hongkong, the department store group controlled by the Hong Kong-based but Japanese-owned Yaohan International, lifted net profits for 1989 by 27 per cent to HK\$39.5m (US\$5.1m).

Yaohan International, controlled by the Japanese Wada family, moved its headquarters from Tokyo to Hong Kong this year.

Goodyear hit by heavy charges and weakened markets

By Roderick Oram in New York

GOODYEAR Tire & Rubber said yesterday it would report second-quarter pre-tax charges of about \$35m for some restructuring actions in its North American operations.

Combined with other adverse factors such as a weak US tyre market and setbacks in Brazil and Turkey, the charge will result in a second-quarter net loss of up to \$10m. A year earlier it earned net profits of \$27.1m, or 47 cents a share, after an after-tax charge of \$6m for its troubled US oil pipeline project. Sales were \$5.1bn.

The company said its second-half profits would now approximate the year-earlier's \$1.33 a share, whereas analysts had been forecasting a figure closer to \$1.50 a share.

Goodyear's performance has been sliding since it reported net profits of \$440.1m, or \$7.27 a share, for 1987.

The main thrust of the restructuring is streamlining the wholesale and retail sales

and support organisations. Mr. Tom Barrett, chairman, said. About 1,100 employees will lose their jobs as some sales support functions are eliminated.

The company is trying to win back the US market share it lost in the first quarter of last year.

It had raised its wholesale prices when the tyre industry was running close to capacity. But competitors largely held their prices, causing Goodyear's market share to drop by about two percentage points to 28 per cent, a loss of about 3m tyres.

Some of Goodyear's dealers said they forfeited business because the company did not have a line of low-price tyres under its own name, although it had sold some through its Kelly-Springfield subsidiary.

Goodyear began to repair the damage at a dealer meeting in February when it announced new low-price lines and an aggressive new advertising campaign.

Government frees seized San Miguel shares

THE GOVERNMENT body which seized shares in San Miguel, the Philippine brewery group, has agreed to lift its sequestration to allow the company to sell the shares and raise funds. Reuter reports from Manila.

The Presidential Commission on Good Government said in a resolution it had no objection to a compromise agreement between San Miguel and United Coconut Planters Bank, a local commercial bank that has a stake in the food and beverage conglomerate.

The shares covered by the agreement account for about 30 per cent of San Miguel's outstanding equity and are worth 10.3bn pesos (\$463.2m) at current prices. The compromise agreement is an out-of-court settlement designed to end nearly four years of litigation over the disputed ownership of the shares.

In 1986 the commission sequestered 33.13m shares (now 175.27m because of stock splits and stock dividends) in San Miguel held by Coconut Bank on suspicion that they were illegally acquired by their owner, Mr. Eduardo Cojuangco, then San Miguel's chairman.

Mr. Cojuangco was a close associate of the President, Ferdinand Marcos. He fled with Mr. Marcos after the civilian-backed military revolt in 1986.

The resolution said the compromise agreement did not cover another sequestered block of about 8m shares registered in Mr. Cojuangco's name and in companies owned or directly controlled by him.

The commission said its decision to lift sequestration of the shares would need approval by an anti-corruption court. A ruling is expected within 10 days.

When the sequestration is lifted, some 26.45m shares will revert to San Miguel treasury for disposal to raise funds for an on-going expansion, the resolution said. San Miguel shares eased 1 peso to close at 59 pesos.

● The Government is seeking to sell half its equity in Philippine Phosphate Fertiliser Corp (Philphos) to either the Republic of Nauru, its partner in the venture, or other buyers.

The state-owned National Development Company owns 50.1 per cent of Philphos, one of the country's two producers of phosphate fertilisers. It wants the buyer to assume guarantees on some \$400m of Philphos' foreign debts.

● Mr. Francisco Chavez, Solicitor General, has asked Philippine Airlines to investigate "highly scandalous anomalies" which he said may have cost the state-run carrier more than 2bn pesos since 1981, AP-DJ adds.

Mr. Chavez, a member of the airline board, said the alleged irregularities included missing airline parts, over-payments to travel agents and concessionaires and unauthorised credit transactions.

Bankers Trust cuts corporate staff by 10%

By Janet Bush in New York

BANKERS TRUST, the US commercial bank which started moving away from retail banking towards investment banking in the early 1980s, said it was cutting its corporate finance workforce by about 10 per cent.

Mr. Ralph MacDonald, managing director in charge of the corporate finance department, said: "The actions recognise that the volume and form of corporate finance transactions will be driven primarily by strategic rather than financial considerations in the decade of the 1990s."

The bank is forming a new unit which will work with senior management of corporate clients. It will be managed by Mr. MacDonald.

The announcement comes shortly after Merrill Lynch, the largest US securities house, reshaped its management to focus on restructuring highly-leveraged companies rather than merchant banking. This, too, was described as a shift of resources to reflect changed market conditions.

Bankers Trust said that the staff reductions would save more than \$10m a year. The new unit will have a staff of about 25.

Ames in big first-quarter loss

By Karen Zager in New York

AMES Department Stores, the big US discount retailer which filed for bankruptcy protection in late April, yesterday reported a big first-quarter loss, largely reflecting the cost of restructuring which the company hopes will allow it to survive.

Ames plans to reduce its base of 678 stores to 53 per cent. The company said the 221 stores to be closed had an operating loss of \$21.3m before non-recurring charges, interest, taxes and corporate expenses. The remaining stores were operating at about break-even levels for the quarter.

The Connecticut-based company said it would take a charge of \$225m for expected costs of closing its stores, in

addition to a charge of \$104.5m covering an additional expected markdown and a \$18m write-off of deferred financial costs.

These extraordinary items distorted Ames' first-quarter results by \$347.5m, and the company reported a first-quarter net loss of \$430.5m or \$1.56 a share against a loss of \$16.5m or 62 cents a year earlier.

Net sales for the three months ended April 28 fell 11 per cent to \$987.5m from \$1.11bn in the 1989 quarter.

Mr. Stephen Piskner, Ames' chief executive, said: "The majority of our loss in the first quarter reflects actions which are absolutely necessary to stabilise our business and reduce losses."

"We have taken swift and

decisive action to downsize, cut losses, reduce expense and save the company."

Ames was a profitable retailer before its 1978 acquisition of Zayre department stores in 1988, which effectively doubled Ames' size and turned it into the fourth biggest discount store in the US with annual sales of nearly \$2bn.

But the takeover also left Ames in control of several unprofitable stores, which the company did not sell in spite of pressure from its lenders. When Ames started failing behind in its operating plans and ran into cash problems, its lenders would not add another credit line and the company was pushed into filing for bankruptcy protection.

Heinz earnings rise 14.6% to record

H.J. HEINZ, the US foods group, yesterday reported its usual strong increase in first-quarter earnings and hit a record, writes Karen Zager.

The Pittsburgh-based company, one of the most consistent and profitable in US industry, increased net income by 15.5 per cent for the quarter to \$135.3m or 61 cents a share from \$117.2m or 54 cents.

Sales grew 3.9 per cent to \$1.63bn from \$1.58bn. The gain was attributed to price increases. Strong volume growth in the company's ketchup and condiment lines were offset by volume declines in other products.

Full-year net earnings rose 14.6 per cent to a record \$504.5m or \$1.90 a share from \$440.3m or \$1.67, on sales up 4.9 per cent to \$5.06bn from \$4.84bn on the strength of higher

prices and increased volume.

Mr. Anthony O'Reilly, chairman and chief executive, said: "Once again, we are pleased to announce record earnings. Our big brands - ketchup, tuna, frozen pizzas, baby food and Weight Watchers brand food products - continue to prove their market strength and brand leadership, providing a solid foundation for the future."

Western Mining encounters a tricky seam

Kenneth Gooding examines the Australian mining group's problems and prospects

WESTERN Mining, Australia's biggest mining group and until recently given star status by the sector's analysts, has fallen from grace with a thump. Since January its share price has plummeted by more than a third, cutting more than A\$2bn (US\$1.5bn) from WMC's market value.

Falling commodity and gold prices have played a part in the descent, but a key element has been the group's revelation that it has run into severe problems with some of its old-established nickel operations in the Kambalda region of Western Australia. These will cut expected yearly output by 6,000 to 7,000 tonnes for the next two years.

Before that, there was an unsuccessful foray into North American gold mining in 1987 and 1989 when WMC's bonded four companies for A\$530m. This later necessitated write-offs totalling A\$11m - after allowing for A\$72.7m profit from gold hedging no longer required.

While most analysts were willing to forgive the North American misadventure, they have been more scathing about the Kambalda difficulties. Questions have been asked about WMC's senior management and whether it is out of touch, over-stretched or has simply lost its way.

Mr. Hugh Morgan, WMC's managing director, was offering explanations but no excuses this week in London when talking to UK institutional investors.

WMC's problems at the Kambalda site can partly be traced to the recession years of 1985-88, when heavy losses were incurred at the bottom and the group, to preserve profitability, severely cut nickel development expenditure. It concentrated instead on gold, then making a healthy profit.

Two setbacks have hit Kambalda simultaneously. The Long Shaft, the most important of seven mines in the area, had to be redeveloped after unexpected and extraordinary ground pressures were experienced.

At the same time it was discovered that the ore body at the Forster mine was awkwardly shaped, and like no other in the area.

Consequently, nickel output from Kambalda in the year to June 1989 will be only 25,000 tonnes, says Mr. Morgan, the lowest for more than 10 years and down from 37,000 tonnes in the year which ends this month.

However, WMC will keep its position as the world's third largest nickel producer because output at its Leinster mine in Western Australia, for which it paid A\$175m in January 1989, is growing steadily. So WMC's total nickel output in the next financial year is expected to be about the same as in 1989-90, or 45,000 tonnes - well down from the 55,000 tonnes forecast by the group last autumn.

"We are mining 6,000 to 7,000 tonnes less nickel than we thought to be and it will take two years to get it back again,"



Hugh Morgan: offering no excuses for problems

admits Mr. Morgan. "As experienced miners it really hurts our pride that this has happened."

There are several other developments due which have caused WMC to start a strategic review of its nickel business and what it needs for the next 20 years.

"We are looking at how much nickel we should be producing, what type of nickel we should be producing (in matte or concentrate) and at the smelter and refinery operations."

"There is nothing that is not being questioned," says Mr. Morgan.

The review has to be completed by the end of 1990 because WMC might be forced to rebuild its Kambalda nickel smelter which has not been re-lined for a record nine years.

The review takes into

account that nickel output at Leinster, formerly known as the Agnew mine, will be at least 10 per cent higher in 1990.

In spite of the recent problems, WMC expects to get more than 40 per cent of its profit from nickel operations in the year about to start.

Ames' recent setbacks will be contributed by Alcoa of Australia, the alumina producer in which WMC has built up a 43.7 per cent shareholding.

The falling gold price will squeeze profits from that division between 10 per cent and 15 per cent of the total. WMC is Australia's biggest gold miner, with an annual output of more than 800,000 troy ounces. Mr. Morgan suggests that about 40 per cent of Australia's producers are unprofitable at present prices - now at a four-year low in US dollar terms - and WMC is "concentrating on getting costs down rather than chasing production."

There is more positive news about WMC's 51-per-cent-owned Olympic Dam copper-uranium mine. Following changes in Australian government policy and the ending of a mandatory minimum price for uranium from the country, WMC has signed agreements with Texas Utilities and Middle South of Mississippi in the US for the supply of a total of 1,300 tonnes of uranium a year over six or seven years.

With existing contracts with the UK's Central Electricity

Generating Board, the Swedish State Power Board, Kepco of South Korea and Kyushu and Japan, WMC is planning to build a total of 800 tonnes, this leaves little unsold uranium capacity at Olympic Dam.

The mine is also producing about 40,000 tonnes of copper a year. Mr. Morgan says the next step will be a gradual increase in output as WMC attempts to get the most out of existing facilities. But even this gradual expansion will depend on demand for uranium picking up.

Mr. Morgan says it is well-known that British Petroleum is trying to sell its 49 per cent stake in Olympic Dam, but WMC has a pre-emptive right to buy the shareholding if it wishes.

WMC is continuing attempts to build its oil and gas division, which in 1989-91 might produce 6m barrels.

Group exploration expenditure, A\$85m last financial year, will rise to A\$115m, with spending on nickel, oil and gas increasing while that on gold is declining.

Mr. Morgan warned the UK investment managers that WMC's profits are being constrained by the high value of the Australian dollar, the low gold price and falling commodity prices.

On the question of past management mistakes, he accepts that some - but not all - the criticism is justified. However, WMC has grown dramatically over the past 10 years, using a decentralised management style which will not change.

Mr. Morgan says: "There is always the temptation, when something goes seriously wrong in the operating companies, to pull back control to the centre."

"But we in central management have no intention of becoming dictatorial or trying to second-guess the general managers at the operating companies."



\$75,000,000 Subordinated Floating rate notes due 2004.

Notice is hereby given that the notes will bear interest at 15 7/8% per annum from 19 September 1990. Interest payable on 19 September 1990 will amount to \$385.96 per \$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

First float of NZ telecom shares planned for March

By Dai Hayward in Wellington

THE FIRST tranche of up to NZ\$1bn (US\$62m) worth of shares in Telecom Corporation of New Zealand is planned to be floated on stock exchanges in London, New York, Sydney and New Zealand by next March.

This follows the purchase of the state-owned company agreed last week by Bell Atlantic and Ameritech, two US regional telephone utilities. Under the Government's sale terms they must sell down from initial full control to a joint 49 per cent stake within three years.

The period can be extended to four years if the Govern-

ment agrees to a delay because of a weak stock market. In all, 40.1 per cent of NZ Telecom will be floated, with the New Zealand public given first option.

Originally the NZ Treasury forecast a float of around NZ\$500m by the end of August this year, but the new owners say this is too soon.

"To float a company of this size, which is huge by New Zealand standards, and do it properly takes time," says Mr. David Richwhite, joint chief executive of Pay Richwhite, the merchant bank which is one of the local partners in the deal.

April 1990 This announcement appears as a matter of record only.

Kemili

YAÇ SABUN GLİSERİN SANAYİ VE TİCARET A.Ş.

US \$ 10,000,000.- FOREIGN CURRENCY LOAN FACILITY

arranged by
TÜRK MERCHANT BANK A.Ş.

lead managers
PAMUKRANK T.A.Ş. TEKFEHBANK A.Ş.

managers
BNP-AR-DRESDNER BANK A.Ş. MANUFACTURERS HANOVER TRUST, NEW YORK İSTANBUL BRANCH TÜRK MERCHANT BANK A.Ş.

TÜRK MİTSÜİ BANK A.Ş. TÜRKİYE KALKINMA BANKASI A.Ş. TÖTÜNBANK A.Ş.

agent
Türk Merchant Bank

U.S. \$200,000,000
B.B.L. International N.V.
Floating Rate Notes Due 2001
Guaranteed on a Subordinated Basis
as to payment of principal and interest by

BBL
Banque Bruxelles Lambert S.A./ Bank Brussel Lambert N.V.

Interest Rate	8.425% per annum
Interest Period	20th June 1990 20th December 1990
Interest Amount due 20th December 1990 per U.S. \$ 10,000 Note	U.S. \$ 428.27
per U.S. \$250,000 Note	U.S. \$10,706.77

Credit Suisse First Boston Limited
Agent Bank

L'ORÉAL
TEN-FOR-ONE SHARE SPLIT

The Annual General Meeting of Shareholders of L'ORÉAL SA, presided by Mr. Lindsey OWEN-JONES, Chairman and Chief Executive Officer, was held on June 14, 1990.

The Shareholders approved the financial statements for 1989. Total sales managed by the Group amounted to FF 33 billion (\$ 5.7 billion at year-end exchange rate) and consolidated sales to FF 27.2 billion (\$ 4.7 billion). Operating profit totalled FF 2,929 million (\$ 506 million) and net profit FF 1,901 million (\$ 329 million). Fully diluted earnings per share and investment certificate totalled FF 251.90 (\$ 43.52).

The Shareholders also approved a net dividend for 1989 of FF 60 (\$ 10.36) per share or investment certificate payable June 30, representing an increase of 20% over the 1988 level.

The Shareholders re-elected Lindsey OWEN-JONES, André BETTENCOURT, Marc LADREIT de LACHARRIERE and Roger MARTIN to the Board of Directors. They also elected Olivier LECHE to the Board, in replacement of Charles ZVIAK, who passed away in July 1989, and confirmed the appointment of André FILOU.

Finally, the Shareholders approved a ten-for-one split of all L'ORÉAL shares, investment certificates and voting right certificates currently outstanding, effective early July 1990.

L'ORÉAL's 1989 annual report can be obtained from the company: L'ORÉAL, Informations Economiques, 41 rue Marivaux, 92117 Chilly, France - Fax: (1) 47.56.86.42 (Paris).

INTERNATIONAL CAPITAL MARKETS

Dollar deals dominate new issue business

By Tracy Corrigan

THE surge of new issues in the US dollar sector of the international bond market continued yesterday, dominated by a \$1bn issue of global asset-backed bonds for First Chicago, the second of its kind.

A third global issue of bonds backed by credit card receivables totalling \$1.25bn for Citicorp is likely to emerge today. It is likely to have a seven-year maturity.

Both previous issues have five-year maturities. Price talk

INTERNATIONAL BONDS

suggests that the launch spread will be between 85 and 88 basis points above the seven-year Treasury. Credit enhancement is likely to be provided by a senior/subordinated structure, rather than a letter of credit as for the First Chicago deal. First Boston and Credit Suisse First Boston, lead managers of the First Chicago deal, are reported to have been awarded the mandate for this issue too. CSFB in London declined to comment.

J.P. Morgan said it would hold a second auction of Eurobonds for the Kingdom of Denmark on Thursday. Members of the International Primary Markets Association will be invited to bid for the \$800m-\$900m issue, \$200m of which will be allocated to the Danish central bank on a non-competitive basis. The bonds will be fully fungible with Denmark's outstanding \$771m of 9% per cent bonds due 1995, the issue resulting from its first Euro-

NEW INTERNATIONAL BOND ISSUES						
Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book number
US DOLLARS						
Nippon Telegraph & Tel. (a) ♦	1bn	8 1/4	99.91	1995	40/25bp	CSFB/First Boston
First Chicago Mstr Tel. (a) ♦	250	9 1/4	99.70	1997	30/17 1/2	Paribas Capital Markets
CANADIAN DOLLARS						
Northland (a) ♦	75	13	101.70	1995	1 1/2 %	Bankers Trust Int.
AUSTRALIAN DOLLARS						
Daimler-Benz Int. Finance (a) ♦	100	14 1/2	101	1995	2 1/2 %	Deutsche Bank Cap. Mkts
Sth. Australian Govt. Fin. (a) ♦	75	15 1/2	102	1993	1 1/2 %	Hambros Bank
STERLING						
Yorkshire & S. Society (a) ♦	100	10bp	100	1997	14/7bp	Hambros Bank
LIRE						
Japan Air Lines Finance (a) ♦	115bn	12 1/2	101.80	1995	1 1/2 %	IMI
D-MARKS						
Finland, Republic of (a) ♦	300	9	101	1995	2 1/4	Dresdner Bank
SWISS FRANC						
ESB (a) ♦	200	7	102 1/2	2002	2 1/2	SBC
Dai-ichi Kangai Denki (a) ♦ ♦	70	7 1/2	100 1/2	1995	1 1/2	Bank of Paribas (Swiss)
Kayaba Industry (a) ♦ ♦	80	7 1/2	100 1/2	1995	1 1/2	Credit Suisse
FINNISH MARKKA						
Vestilauto Oy (a) ♦	150	13 1/2	101 1/2	1995	1 1/2 %	Postipankki

*A Floating rate note. *First term. a) Non-callable. b) Call after nine years at 101 1/2 declining 1/2 p.a. c) Coupon pays 10bp over 3-month Libor. Put at par in 1995. Additional \$50m on tap. d) Fixed re-offer price. e) Global issue. Non-callable. Fixed re-offer price.

about 78 basis points.

The bonds were issued in registered, rather than bearer form, with interest payable half-yearly not yearly, following US rather than Eurobond market practice. Consequently, placement was stronger with offshore US funds, than with European retail accounts deterred by the registered form, as in the case of the SCOT deal. The issue met strong demand and underwriters sold out their allotments almost immediately.

Also in the dollar sector, Nippon Telegraph & Telephone issued \$250m of seven-year bonds via Paribas Capital Markets. The 9% per cent bonds, offered simultaneously in the US and Euro-bond markets, were priced to yield 80 basis points above the five-year Treasury. The only previous global asset-backed deal, Citicorp's \$1.25bn offering through its Standard Credit Card Trust vehicle, was trading at a spread of

reoffer price of 99.70.

NTT is the first Japanese company to bring a deal on a fixed price reoffer basis (although Toyota Motor Credit, the US subsidiary of the Japanese car maker, has brought such an issue). The Japanese Ministry of Finance is now likely to be more inclined to see Japanese government-guaranteed issues use the system. The deal was swapped into fixed-rate yen.

A second UK building society tapped the sterling floating-rate note market, following the Halifax's \$350m five-year issue launched on Monday and the largest outstanding building society issue in the sector. Yesterday, the Yorkshire Building Society brought a \$100m issue of seven-year notes, with an additional \$50m

on tap. Despite the slight

pick-up offered by the Yorkshire issue, which pays 0.10 point above London interbank offered rate (Libor), against a 1/4 point margin for the Halifax deal, investors showed more enthusiasm for the more liquid deal for the larger society.

Two new issues were launched in the Australian dollar sector. Daimler-Benz International Finance brought a \$100m five-year offering of 14% per cent Eurobonds, guaranteed by the parent. Daimler's first issue in the sector met keen demand from continental retail investors, particularly in Germany. The issue was bid at less 1.85, within fees of two points. The South Australian Government Financing Authority issued \$75m of 15% per cent, three-year bonds via Hambros Bank.

The Republic of Finland

tapped the D-Mark bond market for the first time since 1985, the first top-rated sovereign borrower to bring a fixed-rate issue in the sector for over a year. The 9 per cent coupon proved attractive to retail investors, particularly in Germany, while the issue was supported by a buoyant government bond market. The five-year bonds, arranged by Dresdner Bank, were bid at less 1 1/4, comfortably within 2 point fees.

The European Investment

Bank brought a \$200m 12-year callable issue. Swiss Bank Corporation won the mandate on a competitive bid. The 7 per cent coupon, with a 100% issue, priced aggressively, and the deal slipped outside its 2% point fees to less 2 1/2 bid.

Sweden set to scrap securities turnover tax

By John Burton in Stockholm

THE Swedish Government is likely to accept proposals contained in an official study released yesterday to abolish the turnover tax on securities trading in favour of a special tax on companies in the financial sector, including banks, insurance companies, and brokerage firms.

The turnover tax, which now amounts to 2 per cent on securities transactions, has been blamed by the Stockholm Stock Exchange and brokerage firms for driving trading in Swedish blue chips abroad, primarily to London, following its introduction in 1984.

The value of each would range between \$50m and \$100m. As the rush of funds into Hungary, is this a case of too much money chasing too few goods?

However, the painfully slow pace at which investment funds are being channelled into the market place shows Hungary cannot yet absorb all the capital thrown at it.

So far, only two significant investments have been made: by First Hungary in Chino, a securities company, and by HIC in Graboplast, a textiles firm.

HIC hopes for another five deals within six months, but this would require a significant acceleration of the investment process.

Three main reasons lie behind the scarcity of stocks for investment: the object mar-

Hungarian funds slow to place investment cash

One of the dynamics of the east European queue has been the tendency of buyers to take the length of the line as sufficient evidence of the availability of goods at the end of it.

The western world's financial institutions, racing to set up investment funds in Hungary, are no exception: indeed, they provide one of the country's few remaining examples of the phenomenon.

Last week's launch of Merrill Lynch's Austro-Hungary Fund lifted the sum of investment funds targeted at Hungary to above \$200m. The fund, \$25m of which is devoted to Hungary, joins the \$80m First Hungary Fund of Mr Andrew Sarios, the Canadian financier, and John Govett's \$100m Hungarian Investment Company (HIC).

As if these three did not already constitute a crowd in what remains a small investment backwater, five more funds are at the advanced planning stage, three of which should be launched in the next few months.

Japan's Nomura Securities, Wainwright Investors, KR & Partners, which is backed by Swedish interests, Euroventure of the Netherlands, and the London arm of Paribas are all organising new Hungarian investment vehicles, according to the highly placed government officials.

The value of each would range between \$50m and \$100m. As the rush of funds into Hungary, is this a case of too much money chasing too few goods?

However, the painfully slow pace at which investment funds are being channelled into the market place shows Hungary cannot yet absorb all the capital thrown at it.

So far, only two significant investments have been made: by First Hungary in Chino, a securities company, and by HIC in Graboplast, a textiles firm.

HIC hopes for another five deals within six months, but this would require a significant acceleration of the investment process.

Three main reasons lie behind the scarcity of stocks for investment: the object mar-

ket is embryonic; Hungarian companies are smaller than those to which investment funds are accustomed; and many firms are more interested in strategic, active partners than in passive investors.

The opening of the Budapest Stock Exchange, on June 21, may provide a psychological boost to market investment liquidity. Nevertheless, only 50 shares initially will be listed and of them only two will be newly floated companies.

The Austro-Hungary fund will be affected more than others by the narrowness of the Budapest stock market

Nicholas Denton examines the difficulties western institutions face as they race to set up funds in Hungary

because the fund has eschewed private placement to concentrate on the purchase of Hungarian listed equities. The \$25m it has set aside for this sounds paltry, but it is enough to swamp the market.

HIC aims at an average deal size of \$5m but there are relatively few Hungarian companies worth that much outside the country's unattractive heavy industrial sector.

The preferred investment strategy of the funds is to take a share in a Hungarian company with an active western investor.

Hungarian enterprises are mostly attracted to joint ventures by the management expertise that a strategic partner can supply.

In turn, the participation of western management gives confidence to the investing funds.

But the limited value of most deals poses a generally unanswered question: why should an active western joint-venture partner bother to share an acquisition?

At present Hungarian corporate managers put much more of a premium on physical assets than on financial ones. The trouble with investment funds is that they have only money to offer.

BP senior debt upgraded

By Andrew Freeman

THIS senior debt of the British Petroleum company and its related entities was upgraded yesterday from A1 to AAS by Moody's Investors Service, the international credit-rating agency. Some \$8bn of long-term debt is affected.

Moody's cited BP's strong cash generation capacity and hydrocarbon reserves and said the group had a sound basis for long-term diversification and growth. It said it expected BP to focus on improving returns on assets and to pursue a more conservative finan-

Venture formed for Europe deals

STANDARD Chartered and its

European partner Westdeutsche Landesbank Grozentralf have formed a joint venture to arrange and invest in European leveraged buy-outs, writes David Lescelles.

CWB Capital Partners, will invest mainly in UK and German deals with a minimum value of DM100m. The banks believe that the market for buy-outs and shared ownership transactions will continue to grow in western Europe, particularly where companies are family-owned and experiencing succession problems.

Microtel financing move

By Stephen Fidler, Euromarkets Correspondent

MICROTEL, the joint venture establishing a new digital mobile telephone network in the UK, said yesterday it had appointed J.P. Morgan as the leading bank to raise \$1bn to finance its capital expenditure until the end of the century.

The financing is expected to include a large portion of equity, perhaps just less than 50 per cent, and significant sums of non-recourse project finance to be syndicated among international banks.

The company's plans call for significant capital expenditure

Microtel financing move

By Stephen Fidler, Euromarkets Correspondent

MICROTEL, the joint venture establishing a new digital mobile telephone network in the UK, said yesterday it had appointed J.P. Morgan as the leading bank to raise \$1bn to finance its capital expenditure until the end of the century.

The financing is expected to include a large portion of equity, perhaps just less than 50 per cent, and significant sums of non-recourse project finance to be syndicated among international banks.

The company's plans call for significant capital expenditure

Microtel financing move

By Stephen Fidler, Euromarkets Correspondent

MICROTEL, the joint venture establishing a new digital mobile telephone network in the UK, said yesterday it had appointed J.P. Morgan as the leading bank to raise \$1bn to finance its capital expenditure until the end of the century.

The financing is expected to include a large portion of equity, perhaps just less than 50 per cent, and significant sums of non-recourse project finance to be syndicated among international banks.

The company's plans call for significant capital expenditure

FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Figures in parentheses show number of stocks per sector											
	Index No.	Day's Change %	Est. Earnings (p)	Gross Div. Yield (%)	Est. P/E Ratio (x)	Est. Div. Yield (%)	Index No.	Day's Change %	Est. Earnings (p)	Gross Div. Yield (%)	Est. P/E Ratio (x)
1	CAPITAL GOODS (198)	0.03	0.7	12.87	5.09	9.46	17.22	909.58	0.13	0.44	913.44
2	Building Materials (27)	13.81	0.4	13.66	5.29	9.06	17.27	1133.56	0.13	0.44	1138.28
3	Contracting, Construction (36)	14.30	0.2	16.16	5.77	7.70	14.30	1432.61	0.13	0.44	1434.61
4	Electricals (10)	26.19	0.2	10.86	5.12	11.33	61.43	2619.14	0.25	0.77	2617.18
5	Electronics (29)	18.55	0.2	10.02	4.06	12.94	21.38	1898.86	0.13	0.44	1892.63
6	Engineering-Aerospace (8)	47.38	0.2	13.55	4.87	8.79	9.42	491.70	0.25	0.77	496.92
7	Engineering-General (43)	50.11	0.2	11.49	5.08	10.32	8.93	503.10	0.25	0.77	504.52
8	Metals and Metal Forming (6)	89.88	0.6	12.49	6.73	5.04	2.46	496.76	0.25	0.77	498.27
9	Motors (15)	37.67	0.3	14.80	6.14	7.88	9.81	376.42	0.25	0.77	372.00
10	Other Industrial Materials (24)	16.45	0.4	10.77	4.87	10.72	34.38	1657.40	0.13	0.44	1670.69
21	CONSUMER GROUP (179)	13.14	0.1	9.29	3.84	13.20	19.74	1315.24	0.13	0.44	1337.09
22	Food and Beverages (213)	11.07	0.1	10.29	4.31	12.07	17.76	1106.77	0.13	0.44	1122.22
23	Food Manufacturing (20)	11.07	0.1	10.29	4.31	12.03	17.76	1106.77	0.13	0.44	1114.80
24	Food Retailing (16)	24.70	0.7	9.40	3.33	13.66	33.61	2470.49	0.25	0.77	2492.35
25	Health and Household (15)	26.04	0.1	6.50	2.66	18.02	24.15	2606.17	0.25	0.77	2648.27
29	Leisure (31)	14.98	0.3	9.77	4.12	12.46	24.36	1493.11	0.25	0.77	1519.74
31	Media, Entertainment & Publishing (13)	61.66	0.7	11.01	5.62	11.21	11.93	607.26	0.25	0.77	612.25
32	Publishing & Printing (16)	35.52	0.9	10.24	5.19	12.20	72.66	3553.29	0.25	0.77	3591.13
33	Stores (35)	32.28	0.3	10.30	4.52	11.85	15.30	3214.81	0.25	0.77	3242.62
40	OTHER GROUPS (6104)	1.98	0.4	12.41	7.13	10.16	16.84	1981.04	0.25	0.77	1982.71
50	Textiles (12)	1.98	0.4	10.81	4.92	11.13	14.99	1203.94	0.25	0.77	1212.04
60	Chemicals (27)	17.34	0.6	5.75	2.20	21.07	14.99	1745.49	0.25	0.77	1779.15
70	Pharmaceuticals (14)	13.21	0.6	10.08	5.08	11.97	31.41	1328.66	0.25	0.77	1335.87
80	Conglomerates (14)	17.02	0.3	10.49	4.49	11.87	40.07	1709.36	0.25	0.77	1726.81
90	Transport (10)	12.02	0.9	11.07	4.68	11.73	0.00	1205.20	0.25	0.77	1222.38
44	Water (10)	19.47	0.1	16.57	6.95	6.74	0.00	1971.28	0.25	0.77	1983.04
48	Miscellaneous (25)	18.08	0.8	11.26	4.88	9.54	26.78	1811.04	0.25	0.77	1827.37
49	INDUSTRIAL GROUP (483)	11.89	0.7	10.63	4.68	11.47	18.09	1192.97	0.25	0.77	1201.88
51	Oil & Gas (19)	23.13	0.9	12.19	5.34	10.84	46.50	2393.56	0.25	0.77	2420.83
52	Other (10)	12.24	0.1	10.82	4.60	11.38	20.39	1228.85	0.25	0.77	1249.62
53	500 SHARE INDEX (500)	80.92	0.2	5.68	—	20.36	801.17	809.82	0.13	0.44	814.94
61	FINANCIAL GROUP (107)	84.18	0.2	19.44	6.37	6.74	25.62	844.09	0.25	0.77	862.16
62	Banks (9)	14.31	0.7	5.13	—	36.94	1421.40	1436.39	0.25	0.77	1439.25
63	Insurance (Life) (7)	70.25	0.7	3.89	—	16.83	701.43	705.21	0.25	0.77	709.53
64	Insurance (Composite) (6)	102.31	0.5	8.45	3.39	15.59	27.41	1022.61	0.25	0.77	1029.29
65	Insurance (Brokers) (7)	102.31	0.5	4.37	—	8.55	454.60	456.22	0.25	0.77	458.33
66	Merchant Banks (67)	102.31	0.5	8.25	4.31	15.54	17.70	1096.35	0.25	0.77	1108.04
67	Property (47)	102.31	0.5	3.35	—	6.88	302.56	303.55	0.25	0.77	304.54
70	Other Financial (24)	300.16	0.2	9.79	3.19	11.29	15.14	1223.01	0.25	0.77	1229.50
71	Investment Trusts (67)	122.26	0.2	12.35	6.42	12.29	43.49	1222.40	0.25	0.77	1227.71
99	Overseas Traders (3)	162.49	0.1	7.5	6.12	12.29	43.49	1422.40	0.25	0.77	1428.35
99	ALL-SHARE INDEX (679)	1168.39	0.1	—	4.72	—	20.15	1169.29	0.13	0.44	1182.12
		Index No.	Day's Change	Day's High	Day's Low	Day's High	Index No.	Day's Change	Day's High	Day's Low	Day's High
		2369.7	0.8	2372.5	2368.9	2370.5	2392.3	2403.0	2405.4	2400.4	2370.0
FT-OF TRN SHARE INDEX											

UK COMPANY NEWS

Waste management, where spending was concentrated, contributes 80% of profits
Shanks & McEwan 29% ahead to £17.4m

By Jane Fuller

SHANKS & McEwan Group, one of the UK's biggest waste disposal concerns, increased pre-tax profit by 29 per cent to £17.4m in the year to March 31.

Turnover grew at a similar rate to £111.54m (£87.04m). The price of the tightly-held shares gained 53p to close at £14.03.

Waste management accounted for 80 per cent of pre-tax profit. Mr Peter Runciman, chairman, said that compared with 68 per cent in 1987, after the group had acquired the London Brick waste disposal division of Hanson Trust, which retains a 17.3 per cent stake in the group.

Shanks has 12 large landfill sites, including Scotland's biggest, near Airdrie. The group handled 21 per cent more waste than in 1988-89 and prices rose by about 16 per cent.

Both capital spending and acquisitions have been concentrated on the waste side and they totalled £21m last year.

The group remained a receiver of interest, with £124,000 compared with £1.07m.

Mr Runciman said it was using its landfill capacity at the rate of 6.5m cu m a year. In March, the amount of

planned and licensed space stood at 81m cu m. It had rights to acquire a further 160m cu m.

Mr Roger Hewitt, managing director, said the group would benefit from environmental protection legislation, due to be enacted by this autumn.

Once the producers of waste were made responsible for seeing that it was safely disposed of, they would seek out companies like Shanks that had reached a specific quality assurance standard. This would squeeze out the "steptoe element".

On the construction side, which accounted for 9 per cent of profit, sales grew by 10 per cent and profit by 15 per cent.

Mr Runciman said the group was in three resilient areas: the building of roads, sewage plant and water works. The order book was, however, below the record level of last year.

Shanks has a one third holding in a company that processes slag at Ravenscraig steelworks. Its profit contribution topped £1m (£550,000).

The planned closure of the hot strip mill would not hit it, Mr Runciman said, but the overall reduction in steel demand was affecting liquid

steel production and hence the associate.

Fully diluted earnings per share rose by 31 per cent to 53.3p (44.2p), after an increase in the tax charge from 30.3 per cent to 34.7 per cent.

A final dividend of 14.3p is proposed for a total of 22.8p (19p).

COMMENT

Shanks again fulfilled its pledge to increase earnings by 20 per cent a year. Its array of clay sites and recognised high standard of operation put it in a good position to exploit the inexorable tightening of environmental legislation. While it plays down the importance of the "green" tag in its high stock market rating, it is far from coy on other aspects of public relations, such as environmental audits and an open door policy at its sites, which help it to overcome planning obstacles. A pre-tax profit forecast of £21.5m gives a prospective p/e of 22, which is even higher than its waste-disposal compatriots. Its growth prospects make it worth holding. As the price had previously come down from the dizzy heights of £18, there is also a school of thought that it is worth buying.



Peter Runciman (left) with Roger Hewitt: the "steptoe element" will be squeezed out with tighter environmental controls

Fitch-RS shares fall 43p after job losses and profits warning

By Alice Rawsthorn

FITCH-RS, the design and architecture group, yesterday saw its shares tumble 43p to 105p when it issued a profits warning and announced 20 redundancies at its London companies.

Mr Rodney Fitch, chairman, said this year's profits would show a major reduction on last year because of the decline in demand for design and architectural services in the UK. The group made pre-tax profits of £23.71m on turnover of £25.82m in 1989.

The profits warning comes at a time when the design industry is under intense pressure because of the impact of high interest rates on the UK economy. Michael Peters Group, another leading design consultancy, is struggling to stabilise its finances after announcing substantial losses for the first half of its financial year.

Fitch started to suffer from the downturn in demand for retail design, its core activity, in the second half of last year. The retail design sector has been hit by the slowdown in consumer spending and the corporate problems of a number of large retail

groups.

Since the beginning of this year the group has also experienced difficulties in its architecture division. The level of demand for commercial architecture has been depressed by the impact of high interest rates on the property market.

Mr Quintin Price, an analyst at James Capel, has downgraded his profits forecast for the company to £1m for the present financial year. He said Fitch could expect a tough time but it was at least taking early action to get to grips with its problems.

Earlier this year Fitch announced 25 redundancies in its retail design interests. Yesterday a further 20 people were laid off by the company. The latest cuts were concentrated in the architecture division, although five people from the group's central staff would lose their jobs as a result of its move to a new studio complex at Kings Cross in London this week-end.

A year ago Fitch employed 400 people in the UK. The combination of the two rounds of redundancies and natural wastage has reduced



Rodney Fitch: seeing a major reduction in profits

the workforce to 325, although the group employs nearly 500 people throughout the world.

Mr Ian Cochrane, group managing director, said there was no sign of an improvement in UK trading conditions. However, he added that all the companies would trade profitably. Moreover, Fitch should compensate with a strong performance from Richardson-Smith, the US product design consultancy acquired two years ago, and from its start-ups in Spain and West Germany.

GEI offsets new venture costs in 12% advance

By Nigel Clark

GEI International, the packaging, processing machinery and special steels group, saw annual taxable profits increase 12 per cent to £7.34m, against £6.55m. Mr Thomas Kenny also announced his retirement as chairman to become president.

Mr Kenny, now aged 70, took the opportunity of reporting the results to take some typical sideswipes at modern views, including the treatment of goodwill and present trading conditions. On recent acquisitions totalled £5.3m and was written off against the profit and loss account. Mr Kenny said that moves to write it off over 20 years or capitalise it were book-keeping nonsense. "The goodwill cost is an invisible sucker," he gloomily said.

On the present year he said that a poor degree in economics was not necessary to reach the conclusion that trading was going to be difficult. "Expressions of gloom are infectious but I have not con-

tracted the disease," he added that it would be silly to be buoyant but "I am reasonably confident that our results to March 31 1991 will make for pleasant reading."

Turnover for the year to the end of March was £70.54m (£72.23m), the fall resulting from the sale of Midland Bright Drawn Steel. Almost half of the sales were from overseas.

Mr Kenny said that all three divisions reported good results with processing machinery and special steels both improving turnover. Packaging machinery sales were £32m including a substantial order in a new venture which, because of the learning and development costs, left profits lower. However, the experience would yield good results in the future, Mr Kenny said.

The pre-tax figure included net interest received of £559,000 (£29,000). Earnings per share were 13p (11.4p) and the directors are proposing a final dividend of 4.85p making a total for the year of 7.2p (5.54p).

NEWS IN BRIEF

ARCHIMEDES INVESTMENT Trust had a net asset value per capital share of 484.62p (£33.19p) on April 30. Net revenue for the six months amounted to £118,488 (£105,488) for earnings per income share of 9.57p (8.61p). The interim dividend is lifted by 1p to 7.25p.

FINLAN has received £2.42m for a 14 per cent stake formerly held in Retail Corporation.

GENERAL ACCIDENT Fire and Life Assurance Corporation and English and American Group have reached agreement in principle for EAG and other consortium partners to acquire the New Zealand Rain Insurance Company of America from NZ Re Holdings, a subsidiary of NZI Corporation, a wholly-owned subsidiary of GA. Consideration was not disclosed.

RAIL ENGINEERING - Alfred McAlpine has disposed of its entire holding of 2.85m shares (9.9 per cent). RNC Hall has acquired 5,000 at 135p and now holds 633,444 (2.2 per cent). Abacus Nominees has acquired 180,000 at 135p and now holds 1.78m (6.3 per cent). Hall 1971 Pension Fund has acquired 75,000 shares at 135p and now holds 1.17m (4.1 per

cent); and Hall 1974 Pension Fund has acquired 45,000 shares at 135p and now holds 4 per cent.

LLOYDS CHEMISTS' cash offers for Cross and Herbert ordinary and preference shares have been declared unconditional. Valid acceptances were received in respect of 361,322 C and H ordinary (£6.59 per cent) and 37,226 preference shares (94.9 per cent).

NESTOR-BNA has entered into a conditional agreement to sell Little Dean House, a 28-bed nursing home in Hampshire, for £602,500 cash.

TILBURY GROUP has exchanged contracts for the sale of the major part of the tenanted residential property trading stock of its subsidiary Tilbury Estates to Mountview Estates. The sale is of 262 properties.

WACE GROUP is to acquire Albedene Sales and Albedene Colour for an initial consideration of £240,000 to be satisfied by the issue of 36,878 new shares. Further performance-related payments, subject to an overall aggregate ceiling of £490,000, may be payable to the vendors.

BAA plc results for the year to 31 March 1990

PLANNING FOR GROWTH YIELDS RECORD PROFITS

◀ Pre-tax profit up 29% to £256m.

◀ Earnings per share up 36% to 37.2p.

◀ Recommended final dividend 7p making a total of 11.5p for the year, up 28%.

◀ Passengers up 5% to 71 million.

◀ Expenditure on safety and security up 28% to £96m.

◀ Capital expenditure up 51% to £375m.

Sir Norman Payne, Chairman of BAA plc said:

"BAA will continue to develop its airports to meet the growing demand for air travel. In doing so we place the highest priority on safety and security.

We also aim to provide a high level of service to our customers.

This strategy will form the basis for long term growth in earnings and dividends backed up by a solid asset base.

The Group will continue to expand into areas which are closely related to the core airports business, drawing on the skills and expertise of the airports."

BAA
The world's leading international airports.

◀ HEATHROW ◀ GATWICK ◀ STANSTED ◀ GLASGOW ◀ EDINBURGH ◀ PRESTWICK ◀ ABERDEEN ◀

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	280	Ass. Brit. Ind. Ordinary	280	0	10.3	3.7	7.5
36	19	Armstrong and Rhodes	25	0	4.3	2.9	14.6
210	135	Bardon Group (SEI)	150	0	6.7	4.9	-
125	96	Bardon Group Co-Prod (SEI)	97	0	5.9	6.3	6.3
123	71	Bray Technologies	71	0	11.9	13.4	-
110	82	Brenhill Conv. Prod	82	0	14.7	9.0	-
315	285	CCZ Group Ordinary	315	0	10.3	9.4	-
176	145	CCZ Group 11% Conv. Pref	145	0	7.4	3.6	12.4
225	140	Carbo Plc (SEI)	210	0	10.3	9.4	-
110	109	Carbo 7.5% Pref (SEI)	110	0	-	-	-
7.5	0.125	Wagant Op Non-VotingA Div	0.125	0	-	-	-
128	67	Edo Group	67	0	8.0	11.9	3.8
145	59	Jackson Group (SEI)	117	-2	3.6	3.0	13.6
345	243	Multihouse NV (AmstSEI)	345	0	10.0	7.7	4.7
158	98	Robert Jenkins	320	-5	20.0	6.3	8.9
467	320	Servotronics	320	0	9.3	5.8	-
165	104	Union Europe Com Prod	160nd	0	2.2	4.1	6.8
395	343	Veterinary Drug Co. PLC	243	-3	22.5	4.2	31.8
382	278	W.S. Yeates	382	0	16.2	4.2	31.8

Securities designated (SEI) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of the ISE. These securities are dealt in strictly on a matched-lot basis. Neither independent. Companies Exchange Limited or Granville Davies Limited are market makers in these securities.

* These securities are dealt on a restricted basis. Further details available

Independent Companies Exchange Limited
77 Mansell Street, London E1 8AF
Telephone 071-488 1212
Member of TSA

Granville Davies Limited
77 Mansell Street, London E1 8AF
Telephone 071-488 1212
Member of The ISE & TSA

UK COMPANY NEWS

Chancery improves to £7.9m in spite of debts provision

By David Lascelles, Banking Editor

CHANCERY, the banking and financial services group, reported a 16 per cent gain from £6.8m to £7.9m in pre-tax profits for the year to March 31 1990, but was hit by provisions for bad debts, particularly in the property business.

Mr Harvey Cohen, chairman and chief executive, said he was nonetheless pleased with the result because it enabled the group to begin its year "with more of a buffer" against tougher trading conditions.

The banking division continued to expand its loan activities, but more cautiously and in ways which diversified it away from property, notably into hire purchase, factoring and shipping. Mr Cohen said property had fallen from 80 per cent of the loan book to 50 per cent, and would probably drop to 40 per cent this year.

Stockbroking contributed about £500,000 before tax and

was growing in spite of a sluggish market. Profits from financial services, including life insurance and pensions, were unchanged at £2.2m.

The group specialises in Business Expansion Schemes. Mr Cohen said it estimated that its share of the market had risen from 9 per cent to 14 per cent, and would continue to expand with Chancery now in second place in the business.

Mr Cohen said the group expected to maintain organic growth. The residential property market seemed to be leveling off, he said, but commercial property was still falling.

Chancery expected to make a subordinated loan stock issue of £4m to £5m.

Earnings rose 10 per cent to 24.9p (22.7p), while the dividend was lifted 12.5 per cent from 12.5p to 14.5p for a total of 39.4p. Total assets grew by 33 per cent to £144m.

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re
LOMAS FINANCIAL CORPORATION, et al.
Debtors.

BANKRUPTCY NOTICE

TO THOSE WHO HAVE OR MAY HAVE CLAIMS AGAINST ANY OF THE FOLLOWING ENTITIES:

ROOSEVELT OFFICE CENTER, INC.
LOMAS FINANCIAL CORPORATION
LOMAS REALTY, INC.
LOMAS LAND, INC.
VISTA MORTGAGE & REALTY
BEAUTY BUILT HOMES, INC.
BRAESWOLD DEVELOPMENT CORP.
LOMAS DEVELOPMENT CORP.

NOTICE OF LAST DAY TO FILE PROOFS OF CLAIMS

TO: ALL PERSONS ASSERTING A CLAIM AGAINST ANY OF THE ABOVE-CAPTIONED ENTITIES:

PLEASE TAKE NOTICE, that the United States Bankruptcy Court for the Southern District of New York (the "Court") has entered an order dated June 11, 1990 (the "Order") requiring all persons and entities, including, without limitation, individuals, partnerships, corporations, estates, trusts and governmental units, EXCEPT THOSE PERSONS AND ENTITIES DESCRIBED IN PARAGRAPHS A, B AND C BELOW, that assert a claim (as defined below) against any of the above-captioned debtors (collectively, the "Debtors") which arose at or prior to September 24, 1989 (the "Filing Date") to file a proof of claim with Lomas Financial Corporation by filing the claim to P.O. Box 1111, New York, New York 10038-1111, on or before July 31, 1990 (the "Bar Date"). Such proofs of claim to be deemed filed when actually received.

As used herein, "claim" means (a) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured; or (b) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right is an equitable remedy for breach of performance. It does not include a claim for a tax refund, a claim for a tax credit, or a claim for a tax deduction.

If you are required to file a proof of claim and fail to do so in the manner prescribed, you will be forever barred from voting upon, or receiving distribution under, any plan of reorganization of the Debtors, and you will be forever barred from asserting any claim against the Debtors in any proceeding in or out of the Court, or in any other proceeding.

A. ANY PERSON OR ENTITY THAT HAS ALREADY FILED A PROOF OF CLAIM AGAINST THE DEBTORS WITH THE CLERK OF THE COURT (OR IN CARE OF THE DEBTORS) NEED NOT FILE A PROOF OF CLAIM AGAINST THE DEBTORS.

B. ANY PERSON OR ENTITY (i) WHOSE CLAIM IS NOT LISTED AS "DISPUTED," "CONTINGENT" OR "UNLIQUIDATED" IN THE DEBTORS' SCHEDULES OF ASSETS AND LIABILITIES FILED WITH THE CLERK OF THE COURT AND (ii) THAT AGREES WITH THE CLASSIFICATION AND AMOUNT SET FORTH THEREIN NEED NOT FILE A PROOF OF CLAIM.

C. THE CLAIMS AND INTERESTS DESCRIBED BELOW ("EXCLUDED CLAIMS") ARE NOT AFFECTED BY THIS NOTICE OR THE ORDER AND THEREFORE ANY PERSON OR ENTITY THAT HAS A CLAIM OF SUCH NATURE MAY FILE A PROOF OF CLAIM ON OR BEFORE THE BAR DATE FOR THE EXCLUDED CLAIM ONLY. ALL OTHER CLAIMS MUST BE FILED ON OR BEFORE THE BAR DATE, UNLESS THE EXEMPTIONS OF PARAGRAPHS A OR B ABOVE APPLY:

- Participants in and beneficiaries of any of the Debtors' pension plans (the "Pension Plans") need not file a proof of claim in respect of any claim arising in connection with such pension plans or pension benefits provided thereunder; provided, however, that any current or former employee of the Debtors or their successors, heirs or beneficiaries who wish to assert a claim against any of the Debtors that is not based solely upon pension benefits arising under the Pension Plans (e.g., claims for eligibility or denial of claims benefits from the Pension Plans, grievance claims, claims in respect of employment, welfare plans, wrongful termination, employment discrimination, personal injury, wrongful death, products liability, etc.) must file a proof of claim on or prior to the Bar Date.
- Holders of any public debt securities of the Debtors which are traded on any United States or foreign securities exchange, with maturity dates after the Filing Date, need not file a proof of claim arising from their ownership of such securities; provided, however, that any such holder who wishes to assert a claim against any of the Debtors that is not based solely upon ownership of such securities must file a proof of claim on or prior to the Bar Date.
- Any of the Debtors or any affiliate of the Debtors holding a claim against one or more of the other Debtors need not file a proof of claim in respect of such claim.
- Holders of claims whose claims heretofore have been allowed by Order of this Court.
- Holders of outstanding shares of common or preferred stock of the Debtors need not file a proof of claim in respect of such shares; provided, however, that any such shareholder of the Debtors who wishes to assert a claim against any of the Debtors that is not based solely upon their interest in the Debtors arising out of ownership of the Debtors' common or preferred stock, including but not limited to claims based on (i) redemption rights of preferred shares, (ii) unpaid dividends declared prior to the Filing Date or (iii) any other obligations of the Debtors, must file a proof of claim on or prior to the Bar Date.
- Holders of claims for workers' compensation benefits based upon occurrence, accidents or events which took place prior to the Filing Date.
- The claims, if any, of the United States Internal Revenue Service (the "IRS") arising out of the Debtors' taxable years ending on June 30, 1987, 1988 and 1989; provided, however, that such IRS claims with respect to the Debtors' taxable years ending on June 30, 1987, 1988 and 1989 must be filed with Lomas Financial Corporation at the address set forth herein above on or prior to September 30, 1990.
- Holders of claims arising from the rejection of unsecured leases and/or secondary contracts shall have twenty days from notice of such rejection to file a claim; provided, however, that claims arising from the rejection of leases and/or secondary contracts heretofore approved by Order of this Court shall be filed on or prior to the Bar Date.

ALL PERSONS AND ENTITIES OTHER THAN THOSE DESCRIBED IN PARAGRAPHS A, B AND C ABOVE MUST FILE A PROOF OF CLAIM ON OR BEFORE THE BAR DATE OTHERWISE THEY SHALL BE FOREVER BARRED FROM VOTING UPON OR RECEIVING DISTRIBUTION UNDER ANY PLAN OR PLANS OF REORGANIZATION IN THESE CASES.

Acts or omissions of the Debtors prior to the Filing Date, including but not limited to Debtors' indemnifications and guarantees and services provided by the Debtors may give rise to claims against the Debtors notwithstanding the fact that such claims for the injuries on which they are based may be contingent or may not have occurred, matured or become fixed or liquidated prior to such date. Therefore, any creditor having a claim or potential claim against the Debtors, no matter how remote or contingent, must file a proof of claim on or before the Bar Date.

Proofs of claim shall conform substantially to the form approved by the Court, a copy of which is on file at the Office of the Clerk, United States Bankruptcy Court, Southern District of New York, 6th Floor, Old Custom House, One Bowling Green, New York, New York 10004-1408 or at P.O. Box 1111, New York, New York 10038-1111.

Copies of the Debtors' Schedules are available for inspection during regular business hours at the Office of the Clerk, United States Bankruptcy Court, Southern District of New York, 6th Floor, Old Custom House, One Bowling Green, New York, New York 10004-1408 or at P.O. Box 1111, New York, New York 10038-1111.

In the event you have questions concerning the completion, filing or processing of your proof of claim, you may make inquiries (800) 785-7734 between the hours of 10:00 A.M. to 6:00 P.M. Eastern Daylight Time for assistance.

Dated: New York, New York
June 11, 1990

BY ORDER OF THE COURT

HONORABLE BURTON R. LIFLAND
UNITED STATES BANKRUPTCY JUDGE
UNITED STATES BANKRUPTCY COURT
Southern District of New York
The Old Custom House
One Bowling Green
New York, New York 10004-1408

DAVIS POLK & WARDWELL
One Chase Manhattan Plaza
New York, New York 10005
Counsel for the Debtors
and Debtors in Possession

Obliterating the wildcat risks

James Buxton reports on Pittencrieff, a small Scottish oil company which is applying for a listing on the London stock market and which prides itself in investing only in oil and gas operations that are already producing



Terry Heneaghan - we're not trying to do anything clever

SMALL OIL companies tend to be associated with the high risks of wildcat drilling in previously untouched licence blocks.

But an Edinburgh-based oil company, which is applying for a Stock Exchange listing and issuing its prospectus today, prides itself on doing no wildcatting and investing only in oil and gas operations that are already producing.

Pittencrieff is an oil investment company. It exploits a niche by buying under-performing oil and gas businesses in the US and running them more efficiently to produce higher cash flow, with an eye to the assets becoming more valuable as oil and gas supplies in North America tighten. It raises its capital in the UK.

"We're not trying to do anything clever like trying to find oil where Exxon failed," says Mr Terry Heneaghan, executive chairman of Pittencrieff, a stocky 43-year-old Scot who has spent much of his career with major oil companies.

Pittencrieff was founded in 1981 but its success as an oil investment company can be measured by the fact that by 1987 it had net assets worth only £60,000. Then Mr Heneaghan arrived, making it his vehicle for oil industry activities. He now owns 6.1 per cent of its equity.

First Pittencrieff was refinanced in October 1987 by institutional and personal investors with a £1.3m rights issue organised by Quayle Munro, the Edinburgh merchant bank.

Then in July 1988 Pittencrieff acquired Ukatek Resources, based in Abilene, Texas, which was managed by Mr Robert Wolsey, a former associate of Mr Heneaghan.

Mr Wolsey's team at Ukatek provides the management which runs all Pittencrieff's US operations, while Mr Heneaghan and Mr Doug Sinclair, finance director, run strategy and finance from a tiny office in Edinburgh.

Pittencrieff made three acquisitions between December

1988 and December 1989: it bought a company named Kelson, acquired the US oil and gas interests of Seabawk, and bought those of Geovest, each financed by the issue of new ordinary and cumulative preference shares.

Through Ukatek, Pittencrieff now controls 670 wells and has royalty interests in 334 more all over the southern and western US, but mainly in Texas and Oklahoma, producing 4,000 cubic feet of gas and 400 barrels of oil a day. The company has 1.8bn barrels of proved oil reserves and 17.7bn cubic feet of gas reserves.

Pittencrieff's strategy is based on the fact that there are many small oil and gas producing companies in the US which own useful assets but which are not particularly well-run - "a lot of managements and their shareholders are tired," says Mr Heneaghan.

Often these companies are owned by people with little experience of the oil industry and may be burdened with debt, strapped for cash and in other ways incapable of making the most of their resources.

In the case of one of its purchases Pittencrieff found the company it had bought had sets of offices in two different states, the operating of its oil wells was expensive sub-contracted; overheads and debt-servicing costs were high; and a potentially lucrative gas sale contract was not being honoured by the customer.

The new managements took over the operations and by streamlining the wells could treble it again.

By stripping out the companies originally holding the assets, Pittencrieff achieves an immediate saving in administrative costs. Next, "we cut costs and enhance the assets by doing maintenance that was not being done before," says Mr Heneaghan.

"We also try to raise output by recompleting the wells [attaching the well into a different geological zone] and doing development drilling. By increasing cash flow we can shorten the pay-back time on our investments to three to four years."

Pittencrieff has reduced the cost of operating its fields from about \$2m to \$200,000 a year, getting the average cost of lift-

ing a barrel of oil down from \$5.50 in 1988 to \$3.80 in 1989 and this year to \$3.20.

In the year to December 31 1989 Pittencrieff returned pre-tax profits of £708,000, up nearly 12 times on the previous year. Turnover rose to £2.1m (£246,000) as new assets were taken over. Debt is only about \$500,000.

Getting the company quoted will enable Pittencrieff to issue new shares to finance more North American purchases, for which Mr Heneaghan believes there are good openings. The company's US office looks at one potential acquisition a week. "I'm not saying it's dead easy otherwise, everybody would be doing it," says Mr Heneaghan.

Though the initial aim is to produce strong cash flow by better management, Pittencrieff also expects to achieve asset appreciation in the belief that gas and oil prices will rise in the 1990s.

It is widely accepted that the US surplus in gas production of the past few years is being eliminated, while US oil production declined by 5 per cent last year as reserves ran down. Oil analysts do not expect large new oil discoveries to be made to replace these reserves and the current number of drilling rigs operating in the US is only a quarter of those in service in the early 1980s.

Pittencrieff shares have up to now traded at about 125p on a matched bargain basis by Edinburgh stockbrokers Bell Lawrie White, and on this basis it is capitalised at £12.3m. The flotation on the Stock Exchange is expected to be at about the same price but will include a rights issue to raise some £2m.

"The cheapest oil and gas reserves are those that have already been discovered," said Ms Angela Burns, an oil analyst at County Natwest Wood-Mac.

"A company like Pittencrieff that is not putting a high percentage of its capital into high risk drilling has a lot of attractions for long-term investors."

The offer for sale has been underwritten by Seymour Pierce Butterfield.

Cont Stationery doubled at £2.3m

Doubled profits were achieved by Continuous Stationery in the year ended March 30, with the pre-tax balance rising from £1.14m to £2.3m.

Mr Bill Eastwood, chairman, said the business forms division improved its trading margin on slightly lower turnover, reflecting the sale of the Blackburn business as part of the withdrawal from manufacturing.

It was now aimed to build up the distribution side. Manufacture of plotter rolls and other media products for the computerised drawing office continued at Fairfield Graphics, which increased turnover by 25 per cent.

Printpoint improved operating profit from £1.2m to £1.9m, which Mr Eastwood described as very creditable. Turnover through the UK network of shops rose 13 per cent to £43m.

Group sales expanded 26 per cent to £21.65m (£17.16m). Earnings were £2.9m (£4.72m) and the final dividend is 2.5p for a total of 4p (3.5p).

There was a move from net bank borrowings of £1.3m to net cash of £300,000 at year-end, reflecting good trading cash flow and the disposals of the Blackburn business and the Printpoint Communication licences.

Invicta Sound falls to £96,000

Invicta Sound, the Kent-based commercial radio station quoted on the USM, experienced poor trading in the six months to March 31 1990, and was unable to pay a dividend at this time.

Mr Richard Sturt, chairman, said profit was impaired by reduced growth in advertising and the commitment of substantial resources to establish new operations.

As a result of operational performance from those operations enabled turnover to improve to £1.77m (£1.77m). But pre-tax profit, after £200,000 redundancy and reorganisation costs, fell from £420,000 to £96,000. Earnings per share were 0.65p (3.33p).

Mr Sturt reaffirmed the commitment to pay a dividend for the year and said there could be an interim before September 30.

Strong demand lifts Jones & Shipman

Buoyant demand throughout its product range helped Jones & Shipman, the precision grinding and honing machine manufacturer, to unveil profits of £2.07m pre-tax for the 15 month period to end-March 1990.

The outcome - achieved on turnover of £30.88m - compared with profits of £1.12m in the year to end-December 1988 when turnover amounted to £21.62m.

Mr Len Weaver, chairman,

said the French and Italian operations made an "excellent contribution" to profits, while the joint venture in North America also made progress.

However, he warned that demand had reduced since the period end. Selling efforts, particularly in export markets, were being intensified to combat the impact of the decline.

Earnings per share expanded to 10.4p (6.3p), and a recommended final dividend of 3p makes a total of 6p (4.5p) for the period.

Profits of Davenport Knitwear fell from £1m to £505,651 pre-tax for 1989. Some £338,000 of the setback occurred in the opening six months.

Full year turnover declined from £777,000 to £678,700. The Birmingham-based group manufactures knitted fabrics and garments.

Tax of £215,065 (£242,061) left earnings at 22.51p (38.08p) per 10p share. The single dividend is maintained at 8.03p.

Invicta Sound, the Kent-based commercial radio station quoted on the USM, experienced poor trading in the six months to March 31 1990, and was unable to pay a dividend at this time.

Mr Richard Sturt, chairman, said profit was impaired by reduced growth in advertising and the commitment of substantial resources to establish new operations.

As a result of operational performance from those operations enabled turnover to improve to £1.77m (£1.77m). But pre-tax profit, after £200,000 redundancy and reorganisation costs, fell from £420,000 to £96,000. Earnings per share were 0.65p (3.33p).

Mr Sturt reaffirmed the commitment to pay a dividend for the year and said there could be an interim before September 30.

FT LAW REPORTS

Proceedings go ahead despite defective service

THE GOLDEAN MARINER
Court of Appeal (Lord Justice Lloyd, Lord Justice McCowan and Sir John Megaw)
June 14 1990

SERVICE of a writ on the wrong defendant, or service of nothing but an acknowledgment of service, does not nullify the proceedings but is an irregularity which may be cured by the court if the defendant did not suffer prejudice by it, and if he had no doubt that the plaintiffs intended to sue him and was aware of the nature of the action.

The Court of Appeal so held (Lord Justice Lloyd dissenting) when allowing an appeal by the plaintiffs, Golden Ocean Assurance Ltd and others, from Mr Justice Phillips's decision that service of seven writs on the wrong defendants nullified the proceedings in a claim against Mr Christopher Martin and others.

Order 2 rule 1 of the Rules of the Supreme Court provides: "(1) Where in beginning or purporting to begin any proceedings or at any stage in the course of... proceedings there has been a failure to comply with the requirements of these rules... the failure shall be treated as an irregularity and shall not nullify the proceedings."

(2)... the court may, on the ground that there has been such a failure... set aside... the proceedings..."

LORD JUSTICE LLOYD dissenting said that the claim arose out of a casualty suffered by the Goldean Mariner on December 17 1984 on a voyage from Tubaro to Japan. Her hold was flooded and salvage services were rendered. The salvors were awarded \$2m. An average adjustment quantified the cost of repairs at \$1.5m.

The plaintiffs claimed indemnity under contracts of insurance and re-insurance against 46 defendants in 25 different jurisdictions. The case was concerned with the 9th, 10th, 11th and 15th of 15th defendants. They were all American companies with whom part of the risk was placed by London placing brokers, through a New York broker, John P. Curry Agency Incorporated.

The 12th and 15th to 18th were members of a pool from whom Curry held a binding authority. All 46 defendants appeared in the title to the writ. Beneath the title appeared the individual name and address of each of the defendants to be served. Owing to an error on the part of the American process servers, each of the writs was served on the wrong defendant.

The 10th defendant received no writ at all. All he received was a form of acknowledgement of service.

The plaintiffs contended that in each case the error must be treated as an "irregularity" and was therefore capable of cure under RSC Order 2 rule 1. They said the incorrect name and address must have been understood by the recipient as a misdescription, and should be disregarded. As for the 10th defendant, it was contended that he must also have understood that he was intended to be sued, and the fact that he never received a writ at all might also be treated as an irregularity.

Mr Justice Phillips rejected those arguments. On the present appeal the question was whether what happened could properly be described as "failure to comply" with the rules within Order 2 rule 1(1), or whether it was something altogether more fundamental, as Mr Justice Phillips held.

Mr Tomlinson for the defendants argued that if there was a fundamental defect in service of a particular defendant, the proceedings against that defendant had never been joined. Accordingly, there were no "proceedings" for the purpose of Order 2 rule 1.

That was rejected. It ignored the opening words "... purporting to begin" proceedings. There was no doubt that the plaintiffs did at least purport to begin proceedings against all 46 defendants. They did in fact begin proceedings. There was no defect in the issuing of the writ. The defect lay in its service. The proceedings as such were valid.

Failure to serve the 10th defendant with anything except an acknowledgement of service was an omission so serious that it could not be cured under Order 2 rule 1. It could not be described as "a failure to comply with the requirements of these rules" by reason of something left undone. It was more accurately described as doing nothing.

In the case of the other defendants service was grossly defective, but it was purported service. Mr Justice Phillips was wrong to hold that he had no discretion under the rule. Since he never exercised a discretion the task fell on the present court. It was not an appropriate case in which to exercise a

discretion in favour of the plaintiffs.

First, the defect in service was very serious.

Second, the plaintiffs' conduct excited little sympathy. They left it until the last moment of the second renewal of the writ before seeking to effect service. If they had served a little sooner they could have reserved without difficulty.

Third, and most important, the American defendants did not come to London to seek out business. They were sought out in America. Their contracts were governed by US law which was at variance with English law in this field. They could not have been brought before the court except as necessary or proper parties in proceedings brought against other defendants.

In those circumstances they were at least entitled to expect that the requirements as to service would be scrupulously observed.

LORD JUSTICE MCCOWAN in a majority judgment said the risk was placed with the defendants through Curry. All were parties to the contract. All knew of the accident, and all got a copy of the writ. None was in the dark about the proceedings and they all took the same solemn oath to put the matter in the hands of their London solicitors who took in each case the same point on service.

Their position fell squarely within Lord Justice Kerr's words in *Smith v. Armstrong* (1989) 1 W.L.R. 512, 520: "There was never the slightest doubt

Second, the plaintiffs' conduct excited little sympathy. They left it until the last moment before seeking to effect service. If they had served a little sooner they could have reserved without difficulty.

In the mind of the defendant that the plaintiff intended to sue it and that it was the person with whom this case was concerned."

In the case of the 10th defendant no writ was served at all, but only a form of acknowledgement of service which gave the title of the proceedings and listed him among the defendants only.

That was plainly an attempt to take a step in the proceedings, namely to serve the writ. But it failed to comply with a requirement of those rules as to what should be served. By virtue of Order 2 rule 1 that failure was to be treated as an irregularity and did not nullify service.

It might well be that in many cases where only acknowledgement of service was served it would be held in exercise of the court's discretion that service must be set aside. In this case however, the 10th defendant reacted in a way which was different from the six defendants. The risk had been placed with them likewise by Curry. There was the same co-operation and his solicitors were taking the same point on service.

There was no evidence before the court that he was ever in doubt that the plaintiffs intended to sue him or as to the nature of the proceedings, or that he suffered prejudice by the irregularity.

Therefore in the special circumstances of the case, the court should likewise in the case of the 10th defendant exercise its discretion against setting service aside.

SIR JOHN MEGAW agreeing, said Mr Justice Phillips did not exercise his discretion because, as he understood the law, he did not have a discretion to exercise. The defects in the service, in his opinion, made the process a nullity incapable of cure.

On the facts and on the true construction of the rule, Order 2 rule 1 was applicable. There was no automatic nullity of proceedings. It was for the judge to apply his discretion.

The court did not prevent the court from deciding that justice required that defective proceedings should be set aside. There was nothing in the circumstances of the present case which took the procedural failures outside the purview of Order 2 rule 1.

His Lordship agreed with Lord Justice McCowan's reasons as to the proper exercise of the discretion.

The appeal was allowed. For the plaintiffs: Jeffrey Grader (Ince & Co)

For the defendants: Stephen Tomlinson QC and Simon Rainey (Hill Taylor Dickinson)

Rachel Davies
barrister

Pension refund lifts Stoddard to £4.98m

STODDARD SEKERS International, the carpet and furnishing fabrics manufacturer, held its profit in the year ended March 31, reflecting the success of its strategy in the prevailing economic climate.

But taking in £1.23m gross refund of surplus from the pension scheme, pre-tax profits rose from £3.7m to £4.98m.

Directors said the market place remained uncertain. Taking into account benefits

expected from continued capital investment, however, they took a positive view of the prospects for the current year.

Sales reached £45.28m and operating profit was £4.34m. That showed a decline on the respective £56.2m and £5.17m of 1988-89 which included £1.15m and £772,000 in respect of discontinued activities.

The good trading performance and strong financial control led to a reduction in borrowings from £2.59m to £230,000, cutting gearing from 16 to 2 per cent. Interest costs fell to £597,000 (£1.45m).

Earnings worked through at 6.1p (5.4p) and the final dividend is 1.5p for a maintained total of 2.5p.

East Worcs Water to raise £3.4m

East Worcestershire Waterworks is to become the first water supplier to raise money through an issue of stock since the privatisation of the 10 much larger water authorities last December.

East Worcestershire, more than 85 per cent of which is controlled by Bicester, the private water contractor, is to raise £3.4m with a tender offer of 9.75 per cent preference stock, redeemable in 1996-97.

The group is one of the UK's 29 smaller water companies, which supply water alongside the 10 recently-privatised water and sewerage businesses. It was the first statutory water company to be taken over, following an agreed offer from Bicester and East Worcestershire management in March 1988.

Most of the proceeds of the tender offer will be used to redeem £2.5m of 7 per cent preference stock at the end of this month. However, the issue will also raise nearly £1m to help support the company's capital expenditure programme, much of which is financed by regulated price rises over the next 10 years.

The new shares will not carry voting rights so there will be no dilution of existing shareholders' interests.

REPORTS
lings go
despite
a service

Opec statements fail to support weak oil prices

By Steven Butler

OIL PRICES failed to recover yesterday from Monday's steep losses despite a flurry of statements from members of the Organisation of Petroleum Exporting Countries indicating concern over the disastrously weak state of the market.

Prices opened higher on the International Petroleum Exchange, but fell when an early rally on the New York Mercantile Exchange was out of steam and reversed itself. Brent Crude oil for August delivery closed off 25 cents at \$15.75. On the Nymex August futures for West Texas Intermediate Crude were fluctuating around \$17 a barrel midday trading, little changed from the day before. The July contract, volatile ahead of today's expiry, was down 24 cents at \$15.70.

Mr. Sadek Bousenna, the Algerian minister who serves as Opec president, said he would be touring the Middle East this week to visit the big Gulf producers: Saudi Arabia, Iran, Iraq, Kuwait, and the United Arab Emirates. He would be holding talks aimed

at measures to strengthen oil prices. The failure of the announcement to have any significant impact on prices is a further indication of Opec's complete loss of credibility. A round of consultations among senior Opec ministers is typically a signal for traders to take caution in holding short positions.

However, Saudi Arabia appears to be the only country so far which has fully implemented production cuts promised at an Opec emergency meeting in early May. Opec is continuing at a high level of crude oil production when oil storage facilities around the world are nearly full.

Mr. Issam Al-Chalabi, the Iraqi minister, yesterday accused other Opec members of a "premeditated" intention to violate the agreement. He implied that some of his Arab neighbours were intentionally driving down the price following the strong market in early January.

King Fahd of Saudi Arabia also called on Opec members to abide by their commitments.

Polish meat traders undercut home price

By Christopher Bobinski in Warsaw

POLISH meat importers have taken advantage of the forthcoming monetary union between East and West Germany and purchased at least 14,500 tonnes of pork at less than a third of the current domestic price paid to farmers of around 8,000 zlotys (\$0.80) per kilo.

The flurry of imports over the past few weeks, which amount to around one per cent of the amount of pig meat the state buys every month from farmers, has been so cheap because it was paid for with transferable roubles, according to officials at the Ministry of Agriculture.

The East Germans exporters

on their part have been exchanging the roubles for East German Marks and will have their profit on July 1 when these will be replaced by transferable D-Marks.

The transactions also represent a major profit for Polish importers like Animex, a traditional meat foreign trader who made the bulk of the purchases. The imported meat is being sold to meat factories at a little under the domestic price.

The imports have, however, caused protests wherever meat factories have attempted to cut purchases from local farmers in favour of the East German meat.

Rise in Mexican coffee exports

MEXICAN coffee exports rose sharply during the second half of 1989, letting the world's fourth-largest producer capture more of the US market, the government newspaper El Nacional said. Reuters reports from Mexico City.

Total imports during the July-December period grew 231 per cent and Mexico increased export income from the commodity by 113 per cent, despite

depressed international coffee prices. Mexico boosted exports after producers participating in the International Coffee Agreement abandoned the coffee export quota system in July 1989.

Mexican exporters captured 22 per cent of the US coffee market in late 1989, up from 12 per cent. Brazil and Colombia exporters lost market position.

Sharp fall in orange juice prices continues

By Barbara Durr in Chicago

ORANGE JUICE futures prices continued their plunge yesterday in New York. Tuesday was the third day of limit down trading in all contracts beyond the about-to-expire July futures.

The dramatic drop in juice futures began last Friday following a rumour that Brazilian processors would cut their prices. That rumour, based on a report that Brazil had sold some concentrate in Europe at a discount, has been denied but to no visible effect in the market.

While the market was reacting to the recent rumour, production and yields seem well above demand at current prices. Brazil's crop is huge, estimated at 300m tonnes, and the Florida crop estimate by the US Department of Agriculture has risen since December by 17.5m tonnes.

The USDA had dropped its original early December estimate of the Florida crop from 133m boxes to just 94m boxes after the Christmas freeze. But since then it has revised the estimate up to 111.5m boxes.

Such is the supply that technical analysts at the Cotton Exchange calculated that the September contract might not find support of prices until 150 cents a lb or lower. This compares to the open last Friday of 198.5 cents a lb.

Bright future for nickel predicted

By Kenneth Gooding, Mining Correspondent

NICKEL FACES a bright future even though consumption this year is likely to fall by 1.5 per cent to 640,000 tonnes, the second successive year of decline, Mr. Jim Lennon, analyst with the Commodities Research Unit, said. He told a conference organised by Metal Bulletin that nickel consumption might grow at between 2.5 and 3.5 per cent a year in the 1990s.

But there would not be a shortage of supply. The CRU had identified 95,000 tonnes of certain and probable new supplies to be added to the 667,000 tonnes produced in 1989, including 95,000 tonnes of exports from the eastern bloc.

Japanese officials had initially decided to ignore the embargo on nickel from the Soviet Union, but Mr. Yamamoto said yesterday that the reply was delayed because "we were

Growers hoping for strawberry fields forever

Bridget Bloom visits a co-operative at the heart of a revolution in fruit production

THIS GIRL emptied the last grains of perlite on to the strawberry plants and saved the transparent lid of the container. "That's the only place you can see them," said Mick Beech, senior soft fruit technologist, pointing out the tiny red insects, phyto-salutis perennials. Scattered over the acres of strawberries, it was now their job to eat the red spider mite, one of the main pests of the ripening summer fruit.

Peter Vinson, one of Kent's premier strawberry growers, has been using such biological controls for three years, drastically cutting back on his use of chemical pesticides. It is one of several new developments to improve his efficiency and make his product more acceptable to the consumer.

"What has been happening recently amounts to a revolution in English strawberry growing," claims Nicholas Saphir, chief executive of Hunter Saphir, which provides the technology, management and marketing for the co-operative to which Mr. Vincent belongs.

The essence of the revolution is that the growing season for outdoor English strawberries has increased. Peter Vinson notes that the fruit used to be grown and harvested over six weeks, depending on the weather, with annual feasting of the strawberries at the Wimbledon tennis tournament signalling the height of the season.

Now, however, new varieties, clever staking, planting and growing techniques and even the judicious use of different coloured polythene have lengthened the season to nearly half a year. This year,

admittedly after a very early spring, Vinson began picking on May 5. Frosts permitting, he may go on well into October. Mr. Vinson says that until the mid-1970s strawberries were being grown, harvested and marketed much as they were in his great-grandfather's time. From independent farms, the fruit went to wholesalers, and markets and so to the consumer. It was the twin pressures of the growth of the supermarkets and the gradual demise of the traditional wholesaler which prompted the new development.

Today, Mr. Vinson is one of 18 grower-members of Kent Fruit, a "second-tier" co-operative, part of the larger Kent Veg. It is one of a small number of British horticultural co-operatives which have been able to overcome farmers' traditional distrust of such organisations, and at the same time improve their techniques in the harsh world dominated by the supermarkets.

Marketing management and technology back-up is provided to both co-ops by Hunter Saphir, the UK produce group which also operates similar partnerships in places like Zimbabwe (where it is helping grow runner beans during the English winter) and Thailand.

The other element in the strawberry revolution has been provided by the supermarkets. Kent Fruit's main customers. Their main interest has been to have consistent supplies of high-quality fruit over as long a season as possible.

Kent Fruit reckons it produces about 8 per cent of the total 46,000 tonnes of strawberries produced in Britain each year although, since a high proportion of the total crop

goes for freezing, they have a larger percentage of the high-quality market in fresh fruit.

Mick Beech, the chief technologist, says the revolution has been achieved by a number of improved techniques, rather than by one dramatic breakthrough. First have been the new varieties which have meant not only firmer, redder and good-flavoured fruit, but plants which will produce over a longer growing period. Elsanta, developed in the Netherlands, is now the mainstay of the group's early production; Pandora, the first new British variety for 20 years, comes next, assuring the "critical gap" from mid-July to mid-August before the so-called ever-bearing varieties begin to produce.

Important though the new varieties are, each must be coaxed into sustained, carefully-timed production by a variety of techniques, ranging from putting summer-sown plants into cold storage to bring them on earlier or later the following spring, to de-flowering plants to improve crop quality and bring cropping forward. Black polythene is used to encourage growth, while polythene or thick straw to retard it. Programmed planting ensures sequential cropping. Plants are "fertilised" - fertilised and irrigated through the same underground trickle system.

Finally, recently-introduced biological pest control methods include not only the spider mite eater but the experimental use of a tractor-mounted vacuum cleaner which removes vine weevils at night when they do most damage.

Strawberry-growing today is "high-tech, high investment and high risk," says Nicholas



Wimbledon is the height of the strawberry-eating season

Saphir. Peter Vinson reckons his direct growing costs, excluding overheads, are £2,000 an acre. While he hopes to average six tonnes an acre and a return of £15,000 before costs, in a bad year, margins can be uncomfortably squeezed.

Martin Dredge, chairman of Kent Fruit, reckons growers are actually getting a smaller share of what a consumer pays for a pound of fruit in the supermarket. In Kent Fruit, each farm operates its own packing plant and organises its own labour force. On Peter Vinson's 800-acre farms, which also produce apples, pears and plums, there is a permanent workforce of 40, a summer workforce of 200 and during the harvest an extra 700 workers are hired.

In addition, within the co-operative, growers pay for increasingly sophisticated packing, transport and distribution to the supermarkets.

Like all farmers who supply the big retailers, Kent Fruit members have mixed feelings about the relationship. "It's not an equal debate because the multiples are so extremely powerful," says one, "though with some we have quite reasonable relations."

"At the end of the day, however high-tech we get, we're still farmers depending on the weather and very volatile prices," says Mr. Vinson. This year's early spring meant that English strawberries clashed with those from Spain, while English consumers, used to the full glory of the English crop only in mid-June, have been slow to buy the fruits that have been available for some weeks now.

In the Kent strawberry fields, everyone hopes for hot weather and a strawberry-rich Wimbledon.

Japan insists its rice market must stay closed

By Robert Thomson in Tokyo

JAPAN'S agriculture ministry yesterday insisted that its rice market must stay closed. The ministry, which has been negotiating the importance of the present round of multilateral trade negotiations, but insisting that the country's rice market must remain closed.

The reply is a reply to Mr. Yamamoto, who last month wrote to Mr. Tomio Yamamoto, the Agriculture, Forestry and Fisheries Minister, expressing his "deep distress" at criticism of America's attempts to open the rice market, which has become a central issue in negotiations on agricultural trade.

Japanese officials had initially decided to ignore the embargo on nickel from the Soviet Union, but Mr. Yamamoto said yesterday that the reply was delayed because "we were

very, very careful" with the words.

The letter, posted late yesterday, suggests that an opening of the rice market could result in a collapse of domestic agriculture, and that Japan has already been severely damaged by the liberalisation of the beef and citrus markets.

Mr. Yamamoto also argues that rice deserves "special consideration" in the present Uruguay Round of multilateral trade negotiations, which he considered are necessary for the maintenance of free trade.

Suralco halts payments to government

By Canute James in Kingston

THE Suriname Aluminium Company, a subsidiary of the Aluminium Company of America, has suspended foreign exchange payments to the Suriname government.

The company has asked the government to arrange for the removal of roadblocks which have isolated the main bauxite mining town of Moengo.

Suralco said also that it would resume foreign exchange payments after the army removes obstacles which have prevented boats from carrying bauxite from the mining town, following the occupation of Moengo at the end of last month by a group of anti-government rebels. The rebels have since withdrawn, but the

army has disobeyed the government's instructions to open access to the town.

Suralco said the company had enough stockpiled ore to continue feeding the 1.4 million tonnes per year refinery and that the situation in Moengo would also not immediately affect the country's aluminium smelter.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).
ANTIMONY: European free market, 99.5 per cent, \$ per lb, in warehouse, 8.00-8.50 (7.50-8.00).
BISMUTH: European free market, min. 99.99 per cent, \$ per 70 lb flask, in warehouse, 215-235 (same).
MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb Mo, in warehouse, 2.97-3.05 (2.90-2.95).
SILICON: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 2.90-3.20 (3.20-3.60).

COPPER: European free market, 99.5 per cent, \$ per lb, in warehouse, 8.00-8.50 (7.50-8.00).
MERCURY: European free market, min. 99.99 per cent, \$ per 70 lb flask, in warehouse, 215-235 (same).
MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb Mo, in warehouse, 2.97-3.05 (2.90-2.95).
SILICON: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 2.90-3.20 (3.20-3.60).

IRON: European free market, 99.5 per cent, \$ per lb, in warehouse, 8.00-8.50 (7.50-8.00).
TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO, cif, 40-55 (40-57).
VANADIUM: European free market, min. 98 per cent, \$ a lb VO, cif, 2.80-3.10 (2.90-3.20).
URANIUM: Nuxco exchange value, \$ per lb, UO, 8.65 (same).

MARKET REPORT

COPPER prices eased on the LME yesterday in spite of a decline of 2,575 tonnes in warehouse stocks to a five-week low of 63,750 tonnes. The lack of substance in Monday's reports of a strike at the Ok Tedi mine in Papua New Guinea was not countered by news of a strike vote at Asarco's Ray mine. Chart resistance around the \$2,505 to \$2,510 a tonne area proved too great and most players were looking to take profits. Nickel prices also declined despite a 270 tonnes fall in warehouse stocks. Trading was sparse, and last week's merchant and consumer offtake, which lifted prices sharply, was not followed up. On the SFE

freight futures fell sharply after the Baltic Freight Index fell to 1,181 - the lowest level since July 1988. Prices initially firmed on profit taking purchases, but the rise was short lived. "If it goes up, it gets walloped down again - people are looking to sell into rallies," said one dealer. Gold eased again on the London bullion market. Dealers said turnover and interest for gold remained minimal, but underlying support at \$346 an ounce had stood up well. However, one dealer said gold's tone remains bearish, with some investors expecting further selling.

Compiled from Reuters

London Markets

SPOT MARKETS	Close	Previous	High/Low
Crude oil (per barrel FOB)	113.60-3.70	+0.20	
Brent Blend	113.60-3.70	+0.20	
WTI (11 pm est)	113.60-3.70	+0.20	
Oil products			
(NWE prompt delivery per tonne CIF)			
Premium Gasoline	216-221	-2	
Gas Oil	216-221	-2	
Heavy Fuel Oil	216-221	-2	
Naphtha	216-221	-2	
Petroleum Argus Estimate	216-221	-2	
Other			
Gold (per troy oz)	347.75	-1.50	
Silver (per troy oz)	149.45	-1.00	
Platinum (per troy oz)	547.15	+1.80	
Palladium (per troy oz)	1115.00	+0.25	

SOYABEAN - LONDON F&O (\$ per tonne)	Close	Previous	High/Low
Aug	287.40	281.00	288.00 280.00
Oct	282.40	277.20	282.80 276.00
Dec	280.00	280.00	280.00 275.00
Mar	289.00	283.00	288.80 283.40
May	290.00	283.00	288.80 283.00
Jul	288.00	287.00	288.00 281.00
Nov	288.00	287.00	288.00 281.00
Turnover: 144,000 (241,400) lots of 60 tonnes.			
White 1979 (1980)			
Paris-White (FF) per tonne: Aug 2185, Oct 2016, Dec 1980, Mar 1975, May 1980			

COCOA - LONDON F&O (\$ per tonne)	Close	Previous	High/Low
Jul	778	762	788 769
Aug	787	764	810 791
Sep	787	764	810 791
Oct	787	764	810 791
Nov	787	764	810 791
Dec	787	764	810 791
Jan	787	764	810 791
Feb	787	764	810 791
Mar	787	764	810 791
Apr	787	764	810 791
May	787	764	810 791
Jun	787	764	810 791
Turnover: 3273 (3897) lots of 10 tonnes.			
ICE Indicator prices (US cents per pound) for June 18: Comp. daily 70.12 (69.00), 15 day average 71.90 (72.00)			

COCAOA - LONDON F&O (\$ per tonne)	Close	Previous	High/Low
Jul	685	678	692 680
Aug	685	678	692 680
Sep	685	678	692 680
Oct	685	678	692 680
Nov	685	678	692 680
Dec	685	678	692 680
Jan	685	678	692 680
Feb	685	678	692 680
Mar	685	678	692 680
Apr	685	678	692 680
May	685	678	692 680
Jun	685	678	692 680
Turnover: 3677 (2852) lots of 5 tonnes.			
ICE Indicator prices (US cents per pound) for June 18: Comp. daily 70.12 (69.00), 15 day average 71.90 (72.00)			

COCAOA - LONDON F&O (\$ per tonne)	Close	Previous	High/Low
Jul	685	678	692 680
Aug	685	678	692 680
Sep	685	678	692 680
Oct	685	678	692 680
Nov	685	678	692 680
Dec	685	678	692 680
Jan	685	678	692 680
Feb	685	678	692 680
Mar	685	678	692 680
Apr	685	678	692 680
May	685	678	692 680
Jun	685	678	692 680
Turnover: 3677 (2852) lots of 5 tonnes.			
ICE Indicator prices (US cents per pound) for June 18: Comp. daily 70.12 (69.00), 15 day average 71.90 (72.00)			

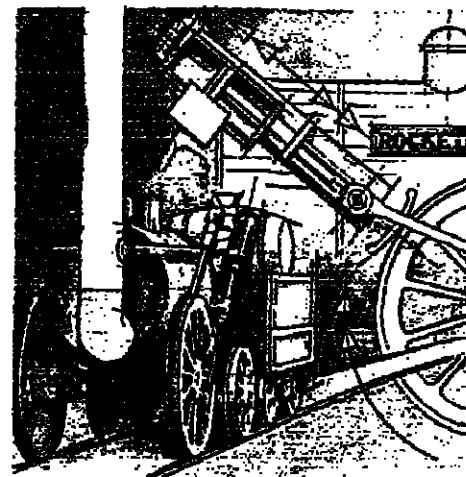
COCAOA - LONDON F&O (\$ per tonne)	Close	Previous	High/Low
Jul	685	678	692 680
Aug	685	678	692 680
Sep	685	678	692 680
Oct	685	678	692 680
Nov	685	678	692 680
Dec	685	678	692 680
Jan	685	678	692 680
Feb	685	678	692 680
Mar	685	678	692 680
Apr	685	678	692 680
May	685	678	692 680
Jun	685	678	692 680
Turnover: 3677 (2852) lots of 5 tonnes.			
ICE Indicator prices (US cents per pound) for June 18: Comp. daily 70.12 (69.00), 15 day average 71.90 (72.00)			

COCAOA - LONDON F&O (\$ per tonne)	Close	Previous	High/Low
Jul	685	678	692 680
Aug	685	678	692 680
Sep	685	678	692 680
Oct	685	678	692 680
Nov	685	678	692 680
Dec	685	678	692 680
Jan	685	678	692 680
Feb	685	678	692 680
Mar	685	678	692 680
Apr	685	678	692 680
May	685	678	692 680
Jun	685	678	692 680
Turnover: 3677 (2852) lots of 5 tonnes.			
ICE Indicator prices (US cents per pound) for June 18: Comp. daily 70.12 (69.00), 15 day average 71.90 (72.00)			

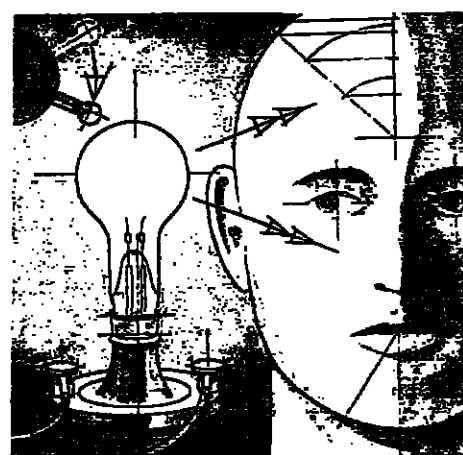
COCAOA - LONDON F&O (\$ per tonne)	Close	Previous	High/Low
Jul	685	678	692 680
Aug	685	678	692 680
Sep	685	678	692 680
Oct	685	678	692 680
Nov	685	678	692 680
Dec	685	678	692 680
Jan	685	678	692 680
Feb	685	678	692 680
Mar	685	678	692 680
Apr	685	678	692 680
May	685	678	692 680
Jun	685	678	692 680
Turnover: 3677 (2852) lots of 5 tonnes.			
ICE Indicator prices (US cents per pound) for June 18: Comp. daily 70.12 (69.00), 15 day average 71.90 (72.00)			

COCAOA - LONDON F&O (\$ per tonne)	Close	Previous	High/Low
Jul	685	678	692 680
Aug	685	678	692 680
Sep	685	678	692 680
Oct	685	678	692 680
Nov	685	678	692 680
Dec	685	678	692 680
Jan	685	678	692 680
Feb	685	678	692 680
Mar	685	678	692 680
Apr	685	678	692 680
May	685	678	692 680
Jun	685	678	692 680
Turnover: 3677 (2852) lots of 5 tonnes.			
ICE Indicator prices (US cents per pound) for June 18: Comp. daily 70.12 (69.00), 15 day average 71.90 (72.00)			

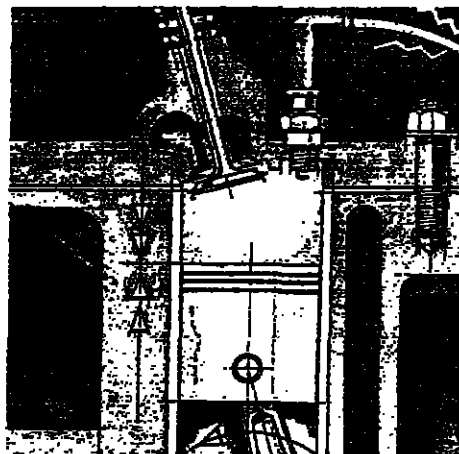
MORE POWER TO YOUR MBO



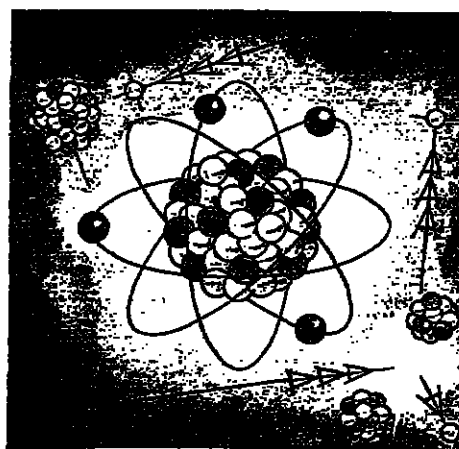
1825: THE POWER OF STEAM.



1878: ELECTRICAL POWER.



1886: THE POWER OF INTERNAL COMBUSTION.



1940'S: ATOMIC POWER.

INTRODUCING A NEW SOURCE OF POWER.

CWB Capital Partners is a new name, and a new force in management buy-outs in Europe: yet our team can point to a proven record of success, and a remarkable combination of powers.

How so?

The reason is that CWB Capital Partners is a new name for a new combination: the experience of the Specialist Financing Division of Standard Chartered Bank, and the very substantial resources of Westdeutsche Landesbank.

A combination which strengthens still further the capabilities of a team which has already established an impressive track record.

A record of leading the financing for some of Europe's biggest buy-outs: BPCC, London Clubs International, Rentco, Bricom. Of pioneering new ideas – like, for example, the increasingly central role of mezzanine.

And of offering practical, powerful and committed support to ensure the deal closes.

Now, the amount of funds we can provide and our European coverage are greater than ever – and so is our commitment to achieving success for our clients.

So if you're considering a buy-out – however big or ambitious – call CWB Capital Partners on (071) 280 7541. And discover a new source of power.

CWB Capital Partners

38 BISHOPSGATE, LONDON EC2N 4DE

CWB CAPITAL PARTNERS LIMITED IS A JOINT VENTURE COMPANY OF STANDARD CHARTERED BANK AND WESTDEUTSCHE LANDESBANK, AND A MEMBER OF I.M.B.O.

John Smith

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 07-429-222

BANKS, HP & LEASING

1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599</
------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-------

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

MINES – Contd

Low	Stock	Price	Net	Cv	P/E
Miscellaneous					
13	13400000 Miles 8. v	135			
14	14000000 Miles 8. v	60			
15	15000000 Miles 8. v	110			
16	16000000 Miles 8. v	300			
17	17000000 Miles 8. v	70			
18	18000000 Miles 8. v	170			
19	19000000 Miles 8. v	15			
20	20000000 Miles 8. v	15			
21	21000000 Miles 8. v	15			
22	22000000 Miles 8. v	15			
23	23000000 Miles 8. v	15			
24	24000000 Miles 8. v	15			
25	25000000 Miles 8. v	15			
26	26000000 Miles 8. v	15			
27	27000000 Miles 8. v	15			
28	28000000 Miles 8. v	15			
29	29000000 Miles 8. v	15			
30	30000000 Miles 8. v	15			
31	31000000 Miles 8. v	15			
32	32000000 Miles 8. v	15			
33	33000000 Miles 8. v	15			
34	34000000 Miles 8. v	15			
35	35000000 Miles 8. v	15			
36	36000000 Miles 8. v	15			
37	37000000 Miles 8. v	15			
38	38000000 Miles 8. v	15			
39	39000000 Miles 8. v	15			
40	40000000 Miles 8. v	15			
41	41000000 Miles 8. v	15			
42	42000000 Miles 8. v	15			
43	43000000 Miles 8. v	15			
44	44000000 Miles 8. v	15			
45	45000000 Miles 8. v	15			
46	46000000 Miles 8. v	15			
47	47000000 Miles 8. v	15			
48	48000000 Miles 8. v	15			
49	49000000 Miles 8. v	15			
50	50000000 Miles 8. v	15			
51	51000000 Miles 8. v	15			
52	52000000 Miles 8. v	15			
53	53000000 Miles 8. v	15			
54	54000000 Miles 8. v	15			
55	55000000 Miles 8. v	15			
56	56000000 Miles 8. v	15			
57	57000000 Miles 8. v	15			
58	58000000 Miles 8. v	15			
59	59000000 Miles 8. v	15			
60	60000000 Miles 8. v	15			
61	61000000 Miles 8. v	15			
62	62000000 Miles 8. v	15			
63	63000000 Miles 8. v	15			
64	64000000 Miles 8. v	15			
65	65000000 Miles 8. v	15			
66	66000000 Miles 8. v	15			
67	67000000 Miles 8. v	15			
68	68000000 Miles 8. v	15			
69	69000000 Miles 8. v	15			
70	70000000 Miles 8. v	15			
71	71000000 Miles 8. v	15			
72	72000000 Miles 8. v	15			
73	73000000 Miles 8. v	15			
74	74000000 Miles 8. v	15			
75	75000000 Miles 8. v	15			
76	76000000 Miles 8. v	15			
77	77000000 Miles 8. v	15			
78	78000000 Miles 8. v	15			
79	79000000 Miles 8. v	15			
80	80000000 Miles 8. v	15			
81	81000000 Miles 8. v	15			
82	82000000 Miles 8. v	15			
83	83000000 Miles 8. v	15			
84	84000000 Miles 8. v	15			
85	85000000 Miles 8. v	15			
86	86000000 Miles 8. v	15			
87	87000000 Miles 8. v	15			
88	88000000 Miles 8. v	15			
89	89000000 Miles 8. v	15			
90	90000000 Miles 8. v	15			
91	91000000 Miles 8. v	15			
92	92000000 Miles 8. v	15			
93	93000000 Miles 8. v	15			
94	94000000 Miles 8. v	15			
95	95000000 Miles 8. v	15			
96	96000000 Miles 8. v	15			
97	97000000 Miles 8. v	15			
98	98000000 Miles 8. v	15			
99	99000000 Miles 8. v	15			
100	100000000 Miles 8. v	15			

Corp Leisure Sp. c	20	...
--------------------	----	-----

17	Edmund Hill	39	1		
18	John Hill	39	1		
19	John W. Hines	39	1		
20	John W. Hines	39	1		
21	John W. Hines	39	1		
22	John W. Hines	39	1		
23	John W. Hines	39	1		
24	John W. Hines	39	1		
25	John W. Hines	39	1		
26	John W. Hines	39	1		
27	John W. Hines	39	1		
28	John W. Hines	39	1		
29	John W. Hines	39	1		
30	John W. Hines	39	1		
31	John W. Hines	39	1		
32	John W. Hines	39	1		
33	John W. Hines	39	1		
34	John W. Hines	39	1		
35	John W. Hines	39	1		
36	John W. Hines	39	1		
37	John W. Hines	39	1		
38	John W. Hines	39	1		
39	John W. Hines	39	1		
40	John W. Hines	39	1		
41	John W. Hines	39	1		
42	John W. Hines	39	1		
43	John W. Hines	39	1		
44	John W. Hines	39	1		
45	John W. Hines	39	1		
46	John W. Hines	39	1		
47	John W. Hines	39	1		
48	John W. Hines	39	1		
49	John W. Hines	39	1		
50	John W. Hines	39	1		
51	John W. Hines	39	1		
52	John W. Hines	39	1		
53	John W. Hines	39	1		
54	John W. Hines	39	1		
55	John W. Hines	39	1		
56	John W. Hines	39	1		
57	John W. Hines	39	1		
58	John W. Hines	39	1		
59	John W. Hines	39	1		
60	John W. Hines	39	1		
61	John W. Hines	39	1		
62	John W. Hines	39	1		
63	John W. Hines	39	1		
64	John W. Hines	39	1		
65	John W. Hines	39	1		
66	John W. Hines	39	1		
67	John W. Hines	39	1		
68	John W. Hines	39	1		
69	John W. Hines	39	1		
70	John W. Hines	39	1		
71	John W. Hines	39	1		
72	John W. Hines	39	1		
73	John W. Hines	39	1		
74	John W. Hines	39	1		
75	John W. Hines	39	1		
76	John W. Hines	39	1		
77	John W. Hines	39	1		
78	John W. Hines	39	1		
79	John W. Hines	39	1		
80	John W. Hines	39	1		
81	John W. Hines	39	1		
82	John W. Hines	39	1		
83	John W. Hines	39	1		
84	John W. Hines	39	1		
85	John W. Hines	39	1		
86	John W. Hines	39	1		
87	John W. Hines	39	1		
88	John W. Hines	39	1		
89	John W. Hines	39	1		
90	John W. Hines	39	1		
91	John W. Hines	39	1		
92	John W. Hines	39	1		
93	John W. Hines	39	1		
94	John W. Hines	39	1		
95	John W. Hines	39	1		
96	John W. Hines	39	1		
97					

Group.....	Y	181.....
to Magic Lens. lpy		56.....
Entr. 5p		51.....

[illegible]

W 8341.....1

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT CitiLine. To obtain your free Unit Trust Code Booklet ring the FT CitiLine help desk on 011-925-2122.

AUTHORISED UNIT TRUSTS

Estd	Cash	Mid	Offer + or	Yield
Charge	Price	Price	Price	Cost

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

INSURANCES		
AA Friendly Society		
Investment, Man & Low Mgmt Ltd		
AA Friendly Soc Inc, L-1	170.51	
Abbey Life Assurance Co Ltd		
10 Grosvenor Place, Grosvenor	299.2	6302.92
Wine, Sec 1	136.4	2.7
Equity Sec 1	136.4	142.6
Wine, Sec 2	852.6	476.5
Equity Sec 2	852.6	6.7
Wine, Sec 3	354.4	373.3
Equity Sec 3	354.4	3.2
Wine, Sec 4	354.4	373.3
Equity Sec 4	354.4	3.2
Wine, Sec 5	354.4	373.3
Equity Sec 5	354.4	3.2
Wine, Sec 6	354.4	373.3
Equity Sec 6	354.4	3.2
Wine, Sec 7	354.4	373.3
Equity Sec 7	354.4	3.2
Wine, Sec 8	354.4	373.3
Equity Sec 8	354.4	3.2
Wine, Sec 9	354.4	373.3
Equity Sec 9	354.4	3.2
Wine, Sec 10	354.4	373.3
Equity Sec 10	354.4	3.2
Wine, Sec 11	354.4	373.3
Equity Sec 11	354.4	3.2
Wine, Sec 12	354.4	373.3
Equity Sec 12	354.4	3.2
Wine, Sec 13	354.4	373.3
Equity Sec 13	354.4	3.2
Wine, Sec 14	354.4	373.3
Equity Sec 14	354.4	3.2
Wine, Sec 15	354.4	373.3
Equity Sec 15	354.4	3.2
Wine, Sec 16	354.4	373.3
Equity Sec 16	354.4	3.2
Wine, Sec 17	354.4	373.3
Equity Sec 17	354.4	3.2
Wine, Sec 18	354.4	373.3
Equity Sec 18	354.4	3.2
Wine, Sec 19	354.4	373.3
Equity Sec 19	354.4	3.2
Wine, Sec 20	354.4	373.3
Equity Sec 20	354.4	3.2
Wine, Sec 21	354.4	373.3
Equity Sec 21	354.4	3.2
Wine, Sec 22	354.4	373.3
Equity Sec 22	354.4	3.2
Wine, Sec 23	354.4	373.3
Equity Sec 23	354.4	3.2
Wine, Sec 24	354.4	373.3
Equity Sec 24	354.4	3.2
Wine, Sec 25	354.4	373.3
Equity Sec 25	354.4	3.2
Wine, Sec 26	354.4	373.3
Equity Sec 26	354.4	3.2
Wine, Sec 27	354.4	373.3
Equity Sec 27	354.4	3.2
Wine, Sec 28	354.4	373.3
Equity Sec 28	354.4	3.2
Wine, Sec 29	354.4	373.3
Equity Sec 29	354.4	3.2
Wine, Sec 30	354.4	373.3
Equity Sec 30	354.4	3.2
Wine, Sec 31	354.4	373.3
Equity Sec 31	354.4	3.2
Wine, Sec 32	354.4	373.3
Equity Sec 32	354.4	3.2
Wine, Sec 33	354.4	373.3
Equity Sec 33	354.4	3.2
Wine, Sec 34	354.4	373.3
Equity Sec 34	354.4	3.2
Wine, Sec 35	354.4	373.3
Equity Sec 35	354.4	3.2
Wine, Sec 36	354.4	373.3
Equity Sec 36	354.4	3.2
Wine, Sec 37	354.4	373.3
Equity Sec 37	354.4	3.2
Wine, Sec 38	354.4	373.3
Equity Sec 38	354.4	3.2
Wine, Sec 39	354.4	373.3
Equity Sec 39	354.4	3.2
Wine, Sec 40	354.4	373.3
Equity Sec 40	354.4	3.2
Wine, Sec 41	354.4	373.3
Equity Sec 41	354.4	3.2
Wine, Sec 42	354.4	373.3
Equity Sec 42	354.4	3.2
Wine, Sec 43	354.4	373.3
Equity Sec 43	354.4	3.2
Wine, Sec 44	354.4	373.3
Equity Sec 44	354.4	3.2
Wine, Sec 45	354.4	373.3
Equity Sec 45	354.4	3.2
Wine, Sec 46	354.4	373.3
Equity Sec 46	354.4	3.2
Wine, Sec 47	354.4	373.3
Equity Sec 47	354.4	3.2
Wine, Sec 48	354.4	373.3
Equity Sec 48	354.4	3.2
Wine, Sec 49	354.4	373.3
Equity Sec 49	354.4	3.2
Wine, Sec 50	354.4	373.3
Equity Sec 50	354.4	3.2
Wine, Sec 51	354.4	373.3
Equity Sec 51	354.4	3.2
Wine, Sec 52	354.4	373.3
Equity Sec 52	354.4	3.2
Wine, Sec 53	354.4	373.3
Equity Sec 53	354.4	3.2
Wine, Sec 54	354.4	373.3
Equity Sec 54	354.4	3.2
Wine, Sec 55	354.4	373.3
Equity Sec 55	354.4	3.2
Wine, Sec 56	354.4	373.3
Equity Sec 56	354.4	3.2
Wine, Sec 57	354.4	373.3
Equity Sec 57	354.4	3.2
Wine, Sec 58	354.4	373.3
Equity Sec 58	354.4	3.2
Wine, Sec 59	354.4	373.3
Equity Sec 59	354.4	3.2
Wine, Sec 60	354.4	373.3
Equity Sec 60	354.4	3.2
Wine, Sec 61	354.4	373.3
Equity Sec 61	354.4	3.2
Wine, Sec 62	354.4	373.3
Equity Sec 62	354.4	3.2
Wine, Sec 63	354.4	373.3
Equity Sec 63	354.4	3.2
Wine, Sec 64	354.4	373.3
Equity Sec 64	354.4	3.2
Wine, Sec 65	354.4	373.3
Equity Sec 65	354.4	3.2
Wine, Sec 66	354.4	373.3
Equity Sec 66	354.4	3.2
Wine, Sec 67	354.4	373.3
Equity Sec 67	354.4	3.2
Wine, Sec 68	354.4	373.3
Equity Sec 68	354.4	3.2
Wine, Sec 69	354.4	373.3
Equity Sec 69	354.4	3.2
Wine, Sec 70	354.4	373.3
Equity Sec 70	354.4	3.2
Wine, Sec 71	354.4	373.3
Equity Sec 71	354.4	3.2
Wine, Sec 72	354.4	373.3
Equity Sec 72	354.4	3.2
Wine, Sec 73	354.4	373.3
Equity Sec 73	354.4	3.2
Wine, Sec 74	354.4	373.3
Equity Sec 74	354.4	3.2
Wine, Sec 75	354.4	373.3
Equity Sec 75	354.4	3.2
Wine, Sec 76	354.4	373.3
Equity Sec 76	354.4	3.2
Wine, Sec 77	354.4	373.3
Equity Sec 77	354.4	3.2
Wine, Sec 78	354.4	373.3
Equity Sec 78	354.4	3.2
Wine, Sec 79	354.4	373.3
Equity Sec 79	354.4	3.2
Wine, Sec 80	354.4	373.3
Equity Sec 80	354.4	3.2
Wine, Sec 81	354.4	373.3
Equity Sec 81	354.4	3.2
Wine, Sec 82	354.4	373.3
Equity Sec 82	354.4	3.2
Wine, Sec 83	354.4	373.3
Equity Sec 83	354.4	3.2
Wine, Sec 84	354.4	373.3
Equity Sec 84	354.4	3.2
Wine, Sec 85	354.4	373.3
Equity Sec 85	354.4	3.2
Wine, Sec 86	354.4	373.3
Equity Sec 86	354.4	3.2
Wine, Sec 87	354.4	373.3
Equity Sec 87	354.4	3.2
Wine, Sec 88	354.4	373.3
Equity Sec 88	354.4	3.2
Wine, Sec 89	354.4	373.3
Equity Sec 89	354.4	3.2
Wine, Sec 90	354.4	373.3
Equity Sec 90	354.4	3.2
Wine, Sec 91	354.4	373.3
Equity Sec 91	354.4	3.2
Wine, Sec 92	354.4	373.3
Equity Sec 92	354.4	3.2
Wine, Sec 93	354.4	373.3
Equity Sec 93	354.4	3.2
Wine, Sec 94	354.4	373.3
Equity Sec 94	354.4	3.2
Wine, Sec 95	354.4	373.3
Equity Sec 95	354.4	3.2
Wine, Sec 96	354.4	373.3
Equity Sec 96	354.4	3.2
Wine, Sec 97	354.4	373.3
Equity Sec 97	354.4	3.2
Wine, Sec 98	354.4	373.3
Equity Sec 98	354.4	3.2
Wine, Sec 99	354.4	373.3
Equity Sec 99	354.4	3.2
Wine, Sec 100	354.4	373.3
Equity Sec 100	354.4	3.2

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Copy Booklet ring the FT Cityline help desk on 071-025-7222.

Indiv. 1

Handwritten label: *Handwritten text, possibly a name or title.*

FOREIGN EXCHANGES

Dollar continues to drift lower

THE US DOLLAR continued to drift lower yesterday in thin technical trading, while sterling recovered from early losses after Mrs Margaret Thatcher, the prime minister, said the UK would maintain a tight monetary policy. The D-Mark held firm against a weakening Japanese yen.

The dollar had been depressed by recent economic data indicating that the US economy is weakening, while inflation remains above the Federal Reserve's 4-5.0 per cent target, analysts said. Mr Neil MacKinnon, chief economist at Yamalich, said a perception that the Fed would not tighten monetary policy had also undermined the US unit. Furthermore, real US yields were low by historical standards, and this made the dollar less attractive to investors. He noted that the one percentage point difference between the yield on three-month dollar and yen Euro-deposits was at its smallest for 10 years.

The dollar is now in a lower trading range and may be locked there until the end of the month, according to many analysts. Mr Christian Dums, economist at Chemical Bank, said uncertainty ahead of German monetary union and the next Federal Open Market

Committee meeting, both in early July, could leave the dollar directionless. Until then, he expected the dollar to trade between DM1.6825 and 1.6925, compared with its range in the first part of June of DM1.6805 and 1.7040.

The dollar closed lower yesterday at DM1.6700 from DM1.6750. It also weakened to SF153.55 from SF153.70; to SF14.08 from SF14.15; and at FF5.6150 from FF5.6350. The dollar's index, calculated by the Bank of England, fell 0.3 to 87.3.

Sterling initially traded lower as dealers worried that inflationary pressures could upset the timing of the pound's full entry into the European Monetary System. But it later rebounded after Mrs Thatcher said the government would maintain its tight monetary policy "because base rates at 15 per cent succeed in bringing down inflation." This was backed up in the money markets, where the Bank of England continued to underpin rates by its daily credit market operations.

The pound is expected to remain steady until the release on Friday of the May UK trade figures. The market consensus is that the current account deficit will narrow to £1.3bn from £1.9bn the previous month. Sterling closed higher at £1.7205 from £1.7135, at FF7.6500 from FF7.6350; and at ¥284.25 from ¥283.25. It was unchanged at DM2.8725, but eased to SF2.4275.

The D-Mark was firm against the yen, which suffered from vague talk about a report of a scandal involving a leading Japanese politician. The concern over the speed of Japanese monetary growth had also depressed the yen. The D-Mark closed at ¥185 up from ¥181.52.

Commercial rates taken towards the end of London trading on 29.9.91				
DOLLAR SPOT - FORWARD				
Jan 99	Day's spot	1 month	3 months	6 months
UK/US	1.7085 - 1.7225	1.7200 - 1.7210		
UK/DEM	1.9975 - 1.6050	1.6040 - 1.6050		
UK/FF	1.7225 - 1.7350	1.7370 - 1.7380		
UK/Scd	1.6700 - 1.6800	1.6820 - 1.6830		
Canada	34.30 - 34.50	34.30 - 34.40		
France	6.50 - 6.75	6.50 - 6.75		
Germany	1.6700 - 1.6800	1.6720 - 1.6730		
Denmark	146.70 - 147.20	146.70 - 146.80		
Italy	100.10 - 100.65	100.15 - 100.25		
Spain	164.00 - 164.50	164.00 - 164.10		
Sweden	6.44 - 6.45	6.44 - 6.45		
Japan	5.61 - 5.64	5.61 - 5.61		
Belgium	153.45 - 154.05	153.45 - 153.55		
Switzerland	11.76 - 11.79	11.77 - 11.78		
Australia	1.2670 - 1.2700	1.2670 - 1.2680		
New Zealand	1.2670 - 1.2700	1.2670 - 1.2680		

CANADA

CANADA

Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
TORONTO																	
Closing prices June 19																	
Outstanding in cents unless marked S																	
2911 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	2650 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	3600 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
16400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	2700 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	3700 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	2750 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	3800 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	2800 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	3900 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	2850 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4000 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	2900 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4100 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	2950 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4200 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3000 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4300 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3050 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4400 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3100 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4500 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3150 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4600 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3200 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4700 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3250 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4800 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3300 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	4900 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3350 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5000 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3400 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5100 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3450 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5200 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3500 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5300 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3550 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5400 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3600 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5500 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3650 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5600 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3700 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5700 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3750 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5800 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3800 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	5900 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3850 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6000 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3900 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6100 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	3950 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6200 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4000 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6300 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4050 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6400 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4100 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6500 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4150 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6600 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4200 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6700 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4250 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6800 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4300 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	6900 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4350 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7000 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4400 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7100 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4450 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7200 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4500 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7300 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4550 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7400 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4600 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7500 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4650 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7600 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4700 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7700 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4750 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7800 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4800 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	7900 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4850 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8000 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4900 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8100 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	4950 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8200 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5000 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8300 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5050 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8400 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5100 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8500 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5150 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8600 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5200 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8700 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5250 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8800 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5300 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	8900 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5350 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	9000 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5400 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	9100 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5450 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	9200 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5500 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	9300 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5550 Crown Gas	531 1/2	531 1/2	531 1/2	531 1/2	+	9400 Labov C	516 1/2	516 1/2	516 1/2	516 1/2	+
10400 Alcan P	51 1/2	51 1/2	51 1/2	51 1/2	+	5600 Crown Gas	531 1/2	53									

3pm prices June 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on Page 41

Dr. Dietrich

NASDAQ NATIONAL MARKET[illegible]

**4pm prices
June 19**

Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Chrysler	10	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48																																																				

**Free hand
delivery
service in
TORINO
(Centro Città)**
If you work in the
business centre of
Torino, gain the
edge over your
competitors.
Have your FT
personalised and
delivered to your
office at no extra
charge.
For full details,
please contact
INTERCONTINENTAL
S.r.l., MILANO
Tel: (02) 688 7041
Telex: 330447
Fax: (02) 688 1667

AMERICA

Dow shows modest gain despite early weakness

Wall Street

AFTER MONDAY'S sharp drop of more than 50 points, the equity market yesterday moved in both directions before finally registering modest gains at the close, writes Janet Bush in New York.

The Dow Jones Industrial Average ended 11.38 points higher at 2,893.56 on low volume of 135m shares. At one point during the morning, the index had recouped 15 points of its fall on Monday. Then selling resumed to leave the Dow more than 8 points lower late in the morning before the index inched higher during the afternoon session.

The Dow had slumped 53.71 points to 2,882.18 on Monday, its third-worst fall this year. Although volume was low, there were a number of indicators, noted by Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, which showed technical weakness.

Every stock in the Dow Jones Industrial Average - except for Navistar which was unchanged - fell in Monday's rout. On the New York Stock Exchange, there were 353 advancing stocks and 1,230 declining issues with 428 unchanged. The Dow Jones Utilities Average has fallen below the 210 level, which is significant, and the NYSE and

S&P Composite indices have fallen into a pattern of lower peaks and lower troughs, suggesting that they have run into strong upward resistance. Although the market is primarily concerned with its own internal dynamics and technical issues, the background was mildly inauspicious with the Treasury bond market apparently back in a pessimistic frame of mind about interest rates.

Despite a weak set of housing starts figures for May released yesterday and accompanied by downward revisions in starts for April, the bond market drifted lower to leave the Treasury's benchmark long bond around 1/4 point lower in late trading.

Other major indices underperformed the Dow yesterday. The Nasdaq Composite index of stocks traded over the counter, for example, was quoted 0.36 point lower at 460.53. Technology stocks moved in both directions and ended mixed. Microsoft, for example, slipped 1/4 before ending 1/4 higher at \$75 while Sun Microsystems was quoted 1/4 lower at \$32 1/4 but Oracle Systems added 1/4 to \$23 1/4.

A number of high-profile stocks listed on the New York Stock Exchange were weak yesterday, including Goodyear Tire & Rubber, which dropped on news of a costly restructuring which will cause a second

quarter loss of up to \$10m, related to the costs of laying off 1,100 employees. Goodyear first rallied on the news but then slipped back to stand 1/4 lower at \$39 1/4.

Motorola was weak, down 1/4 at \$85, after a Federal Judge in Texas decided to impose his earlier ruling that ordered the company to stop selling its most successful computer chip. Hewlett-Packard, which uses the chip in some of its computers, gained 1/4 to \$47 after falling at the opening.

Occidental Petroleum fell 1/4 to \$36 after Standard & Poor's, the US credit rating agency, lowered its ratings on the company's debt and preferred stock, citing high fixed costs, heavy dividend demands and expected earnings weakness.

Canada

TORONTO SHARE prices closed little changed in slow, directionless trade.

The Composite Index closed up 0.2 points to 3,529.05 with 1,100 shares. Volume was 311 to 294. Volume was 18.72m shares compared with 17.49m on Monday, and value of trading was C\$230m, up from C\$204.6m.

Placer Dome's C\$67.50 a share offer for up to 110,000 shares expired yesterday. Placer closed up C\$1 to C\$17 with Shikine unchanged at C\$67.

Military manoeuvres give Thailand a jolt

Roger Matthews explains Bangkok's recent record-breaking run and subsequent fall

THERE IS nothing quite like military manoeuvres, political or physical, to move markets in the developing world. Thailand's men in green were not happy last week and their lack of good humour was immediately reflected in share prices.

The main index of the Securities Exchange of Thailand (SET) closed on June 8 at an all-time high of 1,033.52, a rise of more than 20 per cent since the beginning of January. During the three-hour trading session on Monday, June 11, it lost about 4 per cent to 991.27. The index fluctuated for the rest of the week, but yesterday it stood little changed from the previous Monday's closing level, at 999.29, up 5.96 on the day.

The uncertain mood of the market is due primarily to concern about the stability of the Government following the resignation of General Chavalit Yongchaiyudh, the deputy Premier and Minister of Defence.

Demonstrations by fellow officers in support of Gen Chavalit early last week provoked fears of direct military intervention.

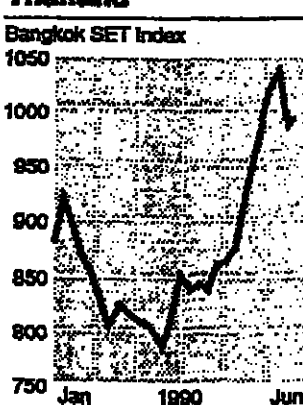
On another front, SET officials hinted darkly about launching another investigation into possible market manipulation, although brokers had already predicted that it would not take much to trigger a correction in what they said was a heavily over-bought market.

The already bullish mood had been fuelled in the previous three weeks by two positive developments, which in the short term had encouraged speculation:

● the extension of daily trading hours from two to three; ● and the Government's announcement that it was to remove most of the remaining foreign exchange controls.

The immediate impact of the extra hour of trading a day was an increase in speculative activity, higher volume and problems for some brokers in

Thailand



coping with the heavier workload. An SET official says that he believes the exchange's 35 brokerages have the overall capacity to cope with about 10,000 transactions a day, while volume recently has sometimes touched about 20,000 transactions.

This trend towards higher daily volume was reinforced by

the long-awaited relaxation of foreign exchange controls, which was immediately interpreted locally as the signal for a further and more substantial inflow of funds from abroad.

Until recently it had been assumed that most foreign funds were in Thailand primarily for the country's long-term growth potential. However, the emergence of Taiwanese players and a few from South Korea is causing some modification of that view.

Mr Mark Greenwood, general manager of First Pacific Asia Securities Thailand, believes that last week's correction was intrinsically beneficial. "The market was reaching the point where, if there had not been a correction, it would have been positively unhealthy," he says. At the same time, he believes that the SET will become more volatile as the extension of hours and freeing of foreign exchange controls encourage more institutions to

become involved in Thailand. But, as all brokers like to point out, Thailand's fundamentals remain highly positive. The latest assessment of the economy by the International Monetary Fund asserts that, in the short and medium term, Thailand has the capacity to continue growing annually at 7 to 8 per cent.

Latest independent Thai forecasts suggest a growth rate close to 9 per cent this year, only a marginal slowing from the double-digit performance in 1989 and 1988. Corporate profitability is expected to mirror this trend.

As military wrath dissipates, it may also be worth reflecting that while over the past 50 years disgruntled soldiers have several times moved governments, last week they only moved markets - the best indication yet that Thai politics, like its economy, may also be maturing.

ASIA PACIFIC

Money supply fears deepen cautious mood

Tokyo

THE SHARP overnight fall on Wall Street and high domestic money supply figures intensified the cautious mood yesterday, and share prices fell in subdued trading, writes Michiko Nakamoto in Tokyo.

Lower futures prices made their contribution, as professionals sold on the cash market to unwind their arbitrage positions. The Nikkei average opened, and stayed weak, closing 336.42 lower at 32,040.28.

In intraday trading, the Nikkei fell below 32,000 for the first time since May 29, to a low of 31,812.82 against a high of 32,324.19. Volume stayed very low at 330m shares against Monday's 300m. Losers outnumbered winners by 813 to 182 with 128 unchanged.

In a market with such low turnover, the large number of declining stocks indicated that, while selling was wide-ranging, it was mostly in small lots. The Tokyo index of all listed stocks fell 27.10 to 2,353.93 and, for the first time in six sessions, the second section index also posted a substantial drop. In London, the FTSE/100 index fell 5.85 to 1,746.92.

Investors are waiting for a series of important events in July, said Mr Toshiyuki Nishiguchi at Daiwa Securities. None of these - the meeting of the Federal Open Market Committee in the US, the Soviet Communist Party congress, monetary union of the two Germanies and the summit of leaders of the Group of Seven industrial nations in Houston - are expected individually to have a major effect on the market, but together, they are significant enough to call for a defensive stance.

Yesterday's announcement of higher-than-expected money supply figures for May was generally expected, but combined the rise in the US of mining and manufacturing output in May, the figures made it less likely that interest rates would come down.

Issues sensitive to interest rates were widely sold. Nippon

Steel led the most active list in turnover of 8.3m shares, losing Y4 to Y366 as Mitsubishi Heavy Industries dropped Y30 to Y1,030.

Among individual fallers, Chugai Pharmaceutical was actively sold and declined Y150 to Y1,630. A leading newspaper report that Chugai would see pre-tax profits fall 40 per cent in the year to December, 1990, touched off heavy selling in the stock yesterday.

In contrast, Daiichi Pharmaceutical confirmed its rise, adding Y50 to Y3,390 on expectations that it would make a bullish report on its research at conference on cancer. Other special situations included Fuji Photo Film, which is expected to post record pre-tax profits in the year to October, 1990, due to buoyant sales of its disposable cameras. Fuji was also liked for its low price/earnings ratio, and there was talk that the company might increase its dividend payout. It was third in volume with 6.1m shares.

Special situations were bought in Osaka but the OSE average lost 356.92 to 35,214.65.

Volume dropped to 30.7m shares from the 43.8m traded on Monday. Dai-Den, an engineering company based in Osaka, rose to a record Y3,690, up Y200, on brisk demand for air conditioners incorporating new technology.

Roundup

HONG KONG and Australia stood up well yesterday to the overnight weakness on Wall Street, the former making a particularly good showing, but most other Pacific Rim markets were lower.

HONG KONG returned from Monday's holiday to close firmer on late overseas buying. Wall Street's weakness had dampened prices initially. The Hang Seng index climbed 27.50 to 3,229.02, its best finish since May 1989. Turnover rose to HK\$4.06bn from Friday's HK\$3.96bn. Utilities, which had been lagging behind the market, featured, with Hong Kong Telecom 20 cents higher at HK\$6.25 and China Light up 40 cents at HK\$14.70. Second-line stocks were also in demand. AUSTRALIA ended only

slightly lower after an afternoon rally trimmed early losses. Investors were encouraged by the steadiness of the market in the wake of Wall Street's overnight plunge. The All Ordinaries index lost 6.5 to 1,499.4 in low volume of 77m shares worth A\$151m, down from Monday's 85m shares and A\$200m.

Elders IXL, the most active stock with 6m shares traded, lost 2 cents to A\$1.83.

NEW ZEALAND was worried by New York's fall, and share prices declined. The Barclays index closed 18.99 down at 1,782.50, it recovered, however, from its day's low of 1,763.

Bank of New Zealand, the big commercial bank, fell 1 cent to 89 cents after saying that it would not raise lending rates, in spite of the current upward pressure on rates. SEOL fell sharply for the second consecutive session. The composite index was 6.78 lower at 749.61 on volume of 10.5m shares or 175.1bn won. Prices rose briefly in mid-afternoon on rumours that President Roh Tae-Woo would soon meet Chinese leader Deng Xiaopeng. But they fell back after the Government denied these rumours.

MANILA's string of advances came to an end, as mild profit-taking pulled the composite index 5.54 lower to 910.87. Before yesterday's fall, the index had risen 20.4 per cent since June 7. Mining stocks attracted buyers yesterday on the back of a rise in world copper prices.

SINGAPORE closed lower on profit-taking and stop-loss selling. The Straits Times index fell 10.85 to 1,634.67 while turnover edged up to 35.9m shares from 32.5m.

KUALA LUMPUR also finished lower. The composite index fell 3.11 to 570.89 and turnover rose to 21.4m shares from 19.5m. But Magnum Corp bucked the trend, adding 20 cents to M\$9.15 on continued talk of a takeover bid by Inter Pacific.

TAIWAN ended lower on a wave of late selling. The weighted index declined 12.55 to 5,892.88. Volume rose to 1.02bn shares or NT\$50.8m from 970m shares or NT\$50.9m.

EUROPE

Domestic buying pushes Frankfurt 2.2% higher

MONDAY'S fall on Wall Street had a limited effect on European markets, particularly in West Germany where sellers dried up and domestic institutions came in as buyers, writes Our Markets Staff.

FRANKFURT staged a notable rally, the DAX index closing 39.32, or 2.2 per cent, higher at 1,836.74 after a rise of 6.15 to 1,771.87 in the FAZ at mid-session.

Mr Werner Wanka, head of securities at B Metzler in Frankfurt, said that the rise had accelerated in the last half hour of trading. Daimler closed DM19 higher at DM817 after trading around DM809 for most of the day, and Deutsche Bank DM14 better at DM778 after DM771.

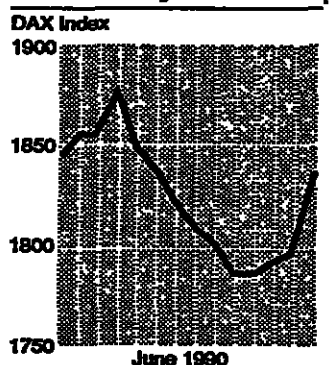
A lack of sellers, and domestic buying were the main reasons for the rise, he said. Metzler thinks that equities are still in volatile territory, and will need to see a sustained recovery in domestic bonds before they mount a sustained revival. Yesterday, the average bond yield fell only 1 basis point, to 5.00 per cent.

However, there was technical encouragement: Siemens (up DM16.20 at DM724.30), Daimler and Deutsche Bank all made a determined move away from their downward resistance points of DM700, DM800 and DM750 respectively, over-all volume rose from DM5.2bn to DM5.8bn.

Further, on the Deutsche Terminbörse, the number of contracts traded rose to 35,579 from 27,641 on Monday, and the ratio of calls to puts from 3:1 to 4:1. At the beginning of the year the ratio was as high as 5:1; but in the recent depressed phase of the market it has been as low as 1:1.

PARIS rebounded in late morning, after falling in thin, early trading. The CAC 40 index closed 11.81 up at

W. Germany



2,000.14, near its high for the day, after reaching a low of 1,971.88.

Frankfurt provided an early boost, while Wall Street's opening gains gave support later in the day. Turnover was estimated at FF2.5bn, up from Monday's FF1.8bn.

BSN, the food company, had a block of 254,000 shares traded at FF840 in the morning. There was speculation that the sell-off gave support later in the day. Turnover was estimated at FF2.5bn, up from Monday's FF1.8bn.

One of the day's biggest falls was by Auxilair d'Entreprises, which lost FF76 to FF110 after the construction company said that it had agreed with Mr Michel Pelage that he would not raise his stake from 20 to 25 per cent. Hachette, the communications group, dropped FF22.90 to FF362.10 on a forecast of unbalanced 1990 profits.

MILAN saw demand for Fiat following a report in a US trade magazine that the car manufacturer was talking with Chrysler of the US about a partnership which could include joint development of new car models or the manu-

facture of Fiat's Tipo model in the Fiat's 1000 cc engine to 1,100,000, but company officials dismissed the reports and traders were also sceptical, given Fiat's failure to link up with Saab of Sweden or Renault of France.

The general market was constrained by Wall Street and signs of tension within the coalition Government. The Comit index added 1.36 to 758.68 in volume estimated at less than Monday's 1,261bn. Generali added L290 to L44,600.

MADRID recovered some of its early losses as Wall Street opened higher. The general index closed 0.41 down at 282.96, after finishing the morning session at 281.21, and turnover picked up to an estimated Pta11bn from the previous day's Pta15.6bn.

Banks and constructions, which had fallen sharply in the morning, regained some ground, with Urallita gaining Pta5 to Pta3,760, after falling earlier to Pta3,700.

AMSTERDAM recouped early losses, the CBS Tendency index closing 0.4 up at 119.5 after a low of 118.7. Hage Meyer, the trading company of UBS Phillips and Drew because of the management's intention greatly to improve margins, was unchanged at F111.

OSLO was weak for the second day in a row, depressed by losses for the first four months at Den Norske Bank. The all-share index, which fell 8.26 on Monday, closed 2.37 lower at 608.89. Den Norske Bank lost NKr7.5 to NKr135, the lowest level since the shares started trading in April at NKr98.

ATHENS hit another record in heavy trading as fears of a drachma devaluation prompted investors to shift bank savings into equities. The general share index rose 22.21 from Monday's record to 1,353.08.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 19 1990							MONDAY JUNE 18 1990							DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross US Dollar Index	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1989 Low	1990 Low	Year ago (approx)	
Australia (90)	139.20	+0.2	119.95	135.11	120.88	118.14	-0.4	5.89	138.96	120.23	135.01	121.08	118.63	158.31	125.65	132.92	
Austria (18)	242.22	-0.5	208.73	235.11	210.31	210.65	-1.1	1.30	243.46	210.85	236.54	212.14	213.08	285.63	182.11	122.65	
Belgium (61)	150.88	+0.2	130.01	146.43	130.99	127.81	-0.1	4.51	150.58	120.28	148.28	131.20	128.48	160.02	132.11	128.65	
Canada (119)	136.75	+0.1	117.84	132.73	118.72	116.20	-0.2	3.49	136.60	118.19	132.71	118.02	115.98	153.61	130.37	130.00	
Denmark (33)	261.19	+0.3	226.07	253.92	226.77	226.84	-0.3	2.82	261.20	226.07	253.92	226.77	226.84	261.19	226.07	253.92	
Finland (28)	136.73	+0.2	117.82	132.72	118.72	116.33	-0.3	2.42	136.41	118.03	132.54	118.06	115.95	152.29	129.99	141.68	
France (125)	157.98	+0.7	138.12	153.91	137.13	136.13	-0.3	2.95	156.93	135.78	152.48	136.73	138.71	169.85	141.69	118.14	
West Germany (98)	128.99	+1.1	111.16	125.22	111.99	111.99	-0.3	0.87	127.54	112.58	122.95	111.13	111.13	137.71	122.05	88.19	
Hong Kong (48)	133.03	+0.5	114.84	129.12	116.51	109.02	+0.5	4.72	132.98	114.74	128.97	111.13	111.13	137.71	122.05	88.19	
Ireland (17)	190.24	+0.1	163.93	194.65	165.17	167.06	-0.5	2.62	190.51	164.83	195.09	168.00	167.98	198.57	172.72	133.72	
Italy (96)	129.26	+0.6	94.15	106.04	94.86	100.00	-0.5	2.37	128.65	94.00	105.55	94.69	99.82	109.26	91.85	82.57	
Japan (454)	147.28	-1.1	126.90	142.98	127.67	142.93	-0.3	0.03	145.98	126.90	144.74	126.90	144.74	172.24	117.72	117.72	
Malaysia (35)	226.13	+0.5	194.00	219.50	195.46	234.93	-0.3	2.30	226.18	195.70	218.17	197.07	226.20	245.32	204.15	171.72	
Mexico (13)	508.93	+0.5	436.84	482.04	440.14	457.80	+0.5	0.33	505.64	438.64	480.00	439.73	571.13	648.86	324.83	255.28	
Netherlands (43)	140.48	+0.7	121.04	136.33	121.96	120.46	-0.3	4.68	139.47	120.68	135.50	121.59	120.09	145.66	130.43	118.69	
New Zealand (17)	65.34	-1.0	65.30	65.42	65.75	65.44	-0.3	0.01	65.39	65.42	65.75	65.44	65.39	65.39	65.39	65.39	
Norway (25)	233.22	+0.7	200.97	228.37	202.49	203.62	+0.1	1.51	231.67	200.96	228.36	202.48	201.69	245.98	168.93	68.24	
Singapore (28)	205.49	+0.6	177.08	199.46	178.41	174.39	-0.9	1.84	206.72	178.26	200.84	180.12	176.04	207.39	173.70	160.58	
South Africa (50)	176.12	+0.2	151.77	170.94	152.91	150.68	-0.2	3.96	175.83	152.14	170.83	153.21	151.03	251.39	170.00	142.82	
Spain (42)	161.01	+0.1	136.75	155.28	139.79	125.69	-0.2	4.23	160.77	139.71	155.20	140.28	132.16	165.19	132.84	147.86	
Sweden (34)	215.58	+0.5	188.13	209.63	189.67	189.67	-0.1	2.09	214.93	188.98	207.28	189.85	217.57	238.75	171.57	138.58	
Switzerland (66)	104.06	+0.3	89.67	101.01	80.36	80.63	-0.3	0.27	103.77	89.79	100.68	80.44	91.13	104.31	88.75	77.77	
United Kingdom (304)	165.03	+0.4	142.21	160.17	143.27	142.21	+0.4	0.77	164.44	142.28	158.75	142.27	142.28	161.11	138.67	138.67	
USA (537)	144.95	+0.4	124.93	140.73	125.68	144.98	+0.4	3.35	144.40	124.94	140.30	125.63	144.40	148.65	130.51	131.03	
Europe (882)	148.22	+0.5	127.72	143.86	128.69	127.78	-0.1	3.56	147.42	127.35	143.23	128.46	127.63	148.22	135.57	116.83	
Nordic (116)	206.74	+0.5	178.15	200.67	179.50	174.86	-0.2	1.72	205.80	178.08	199.95	179.32	171.77	206.93	185.01	167.79	
Pacific Basin (659)	147.28	+0.1	126.14	142.09	127.10	141.40	-0.2	1.12	147.85	126.11	143.75	128.82	143.68	162.78	143.68	167.46	
Asia (1641)	146.39	+0.1	126.14	142.09	127.10	141.40	-0.2	0.16	146.39	126.11	143.75	128.82	143.68	162.78	143.68	167.46	
North America (606)	144.39	+0.4	124.42	140.16	125.38	143.07	-0.4	0.36	143.83	124.41	140.75	125.35	142.51	147.87	132.01	131.42	
Europe Ex. UK (576)	138.62	+0.7	117.73	132.63	118.64	118.84	-0.2	2.09	138.73	117.44	131.90	118.30	118.57	139.30	122.61	102.98	
Pacific Ex. Japan (205)	135.12	+0.1	116.44	131.17	117.33	120.53	-0.2	5.78	134.97	116.78	131.15	117.61	120.77	139.32	122.53	116.79	
World Ex. US (1833)	147.85	-0.4	127.63	143.32	128.25	141.61	-0.6	0.16	147.85	127.63	143.32	128.25	141.61	173.31	131.50	147.03	
World Ex. Japan (1833)	147.85	-0.4	127.63	143.32	128.25	141.61	-0.6	0.16	147.85	127.63	143.32	128.25	141.61	173.31	131.50	147.03	
World Ex. So. Af. (2310)	145.37	+0.1	125.27	141.12	126.23	138.93	-0.3	2.26	143.92	124.62	139.63	141.12	138.93	161.84	131.50	147.03	
World Ex. Japan (1978)	146.13	+0.4	125.92	141.26	126.89	137.20	+0.3	3.51	145.50	125.89	141.38	126.89	138.35	147.88	134.62	125.59	
The World Index (2310)	145.68	-0.1	125.43	141.29	126.39	139.02	-0.3	2.50	145.73	126.09	141.59	126.90	139.39	162.05	132.26	140.24	